

FINANCIAL TIMES

World Business Newspaper <http://www.ft.com>



Valuing Internet companies
Virtual profits in a
virtual industry
Peter Martin, Page 12



TUESDAY APRIL 6 1999

Brazilian economy
Confidence begins
to return
Page 6



Airline in transit
New look, new fleet to
boost SAS profits
Page 17

What's in a name?
The magic of the
Euro-tandoori
Page 8

WORLD NEWS

China in gesture to US business as Zhu flies to Washington

Chinese premier Zhu Rongji travels to the US today ready to face critics on a talk show and display his popular style by visiting a farm and a ball game. Beijing, working to repair damaged links with Washington, said two US insurers would be granted licences to operate in China. Page 14; Letters, Page 12

Oil station bombed, says Iraq. Iraq said Western bombs destroyed another control station on a pipeline used to export oil at its Minya-Balkh terminal. But a shipping source in London said oil was still being loaded there.

China dam project criticised. A Chinese critic of her country's Three Gorges dam project has urged foreign investors to pull their funds out. Anti-dam campaigner Dai Qing said foreign funding made the project the "world's responsibility".

India's cabinet rejects demands. India's cabinet rejected the demands of a key coalition ally which has set the defence minister's dismissal and the reinstatement of a navy chief as the price for its continued support. International, Page 6

Amber injuries investigated. A royal commission investigating injuries sustained by sacked Malaysian finance minister Anwar Ibrahim while in police custody will present its report to Malaysia's king tomorrow.

Georgia may end CIS security link. Georgian president Eduard Shevardnadze said his country might end its security co-operation with the Commonwealth of Independent States, a loose grouping of ex-Soviet states. He said the CIS collective security treaty had not been of use so far.

Exiled dissident lands in Thailand. Exiled Chinese dissident Wang Xizhi arrived in Bangkok after the failure of his attempt to return home to pay respects to his deceased father. He was taken off a New York-Beijing flight during a stop in Seoul.

East Timorese called to arms. Jailed East Timorese guerrilla leader Xanana Gusmao urged war against Indonesian forces in the territory. He called came after allegations that Indonesian forces and Jakarta loyalists had killed 17 people in East Timor.

Nigerian poll appeal fails. Nigeria's appeal court dismissed a challenge to the presidential election victory of former military ruler Gen Olusegun Obasanjo, brought by defeated rival Olusegun Obasanjo, Page 6

UK issues guidelines on names. The British government is issuing guidelines for employing names or surnames, but it has rejected calls for a register, saying the large number who come from overseas would make this unworkable. UK, Page 8

Drug shows wider promise. Endostatin, the Harvard-developed experimental drug that has been found to shrink cancer tumours in mice, is also showing promise against heart disease.

Portuguese truck drivers on strike. Portuguese truck drivers launched a pay strike. The Federation of Road and Urban Transport Unions expects most of the country's 35,000-40,000 drivers to join the stoppage.

WORLD MARKETS

STOCK MARKET INDICES

STOCK MARKET INDICES	GOLD	DOLLAR	YEN
New York Dow Jones Ind Av ... 9,984.01 NASDAQ Composite ... 1,115.85	New York Comex (40d) ... 8278.3	278.2	278.2
Europe and Far East			
CAC40 ... 12			
DAX ... 12			
FTSE Eurotop500 ... 12			
Nikkei ... 16,334.78	E ... 1,020.00	1,020.00	1,020.00
US RATES	S ... 0.8532	0.8532	0.8532
Present Bonds ... 4.5125%	Y ... 1,486.00	1,486.00	1,486.00
5-yr Treasury Bds Yld ... 4.41%			
Long Bond ... 94.88	121.82		
Yield ... 5.61%			
	Tokyo close: Y 121.8		
	London markets closed yesterday.		

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Domestic long rates 8215. Prices in US dollars at New York
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WORLD NEWS

KOSOVO CRISIS

NATO AIR STRIKES DEPLOYMENT REQUEST TO TIRANA ■ WASHINGTON MOOD HARDENS ■ REFUGEES HELD UP ON MACEDONIAN BORDER ■ MONTENEGRO'S STABILITY AT RISK

Apache plan draws Albania into conflict

By Neil Buckley in Brussels and John Thornhill in Moscow

Nato was last night awaiting formal agreement from Albania to deploy 24 US Apache helicopter gunships on its territory, plus a support force of 2,000 soldiers, moving the conflict into a new stage.

Nato ambassadors authorised Javier Solana, the alliance's secretary-general, to make the formal request to Tirana after consultations during the day.

This would be the first time Nato has deployed forces in a non-member country and would greatly increase the alliance's ability to strike targets on the ground deep inside Kosovo.

But it would also turn Albania in effect into a participant in the Nato campaign - and leave it liable to possible reprisals from Yugoslav forces.

Jamie Shea, the Nato spokesman, hinted that Nato had given assurances of protection in the event of an

attack. "We've always made clear that Nato would treat with the utmost seriousness any threat to a partner country," he said.

Mr Shea said the idea of a security force to protect returning refugees was being considered. Nato's ultimate aim, he said, was for all those displaced from Kosovo to "return freely, safely and quickly to their homes".

"That is inconceivable without an international military presence on the ground in Kosovo, at least during a transitional period," he said.

Such a force would be Nato-led but could include forces from non-member countries, he added.

Meanwhile, Russia's ambassador to Yugoslavia yesterday held talks in Pristina, the Kosovo capital, with Ibrahim Rugova, the moderate Kosovo Albanian leader, to give renewed impetus to Moscow's latest peace initiative. According to Russian news agencies, Mr Rugova called for an end to Nato's air strikes and said

he was prepared to fly to Moscow to seek a peaceful solution to the crisis.

Nato has suggested that Mr Rugova had been placed under house arrest and may be acting under duress. But ORT, Russia's state television channel, reported that Mr Rugova was being guarded by Serb forces to protect him from attacks by radicals from the Kosovo Liberation Army.

Mr Rugova became the subject of intense controversy last week when television pictures showed him in a meeting with Yugoslav President Slobodan Milosevic, and that the pictures taken on April 1 could be two years old.

It added: "The Russian ambassador to Belgrade ... confirmed [Rugova] is safe and alive, that he is free to move and that his house is not damaged, thus rejecting the speculations of certain foreign media and Nato officials that Rugova has been arrested and his house burned."

Fears of coup unsettle republic

By Mihajlo Vipovnik in Podgorica

Tens of thousands of Kosovar refugees currently in Montenegro may flee into neighbouring Albania and Bosnia amid fears of a coup and civil war in the tiny Yugoslav republic.

Rumours of an impending coup by the Yugoslav federal army against the government of Milo Djukanovic, Montenegro's president, continued to swirl around Podgorica, the capital, yesterday.

"Everyone - among the internally displaced, refugees from Bosnia and Croatia, our staff, the local population - is feeling uncertain and insecure as to what is next," said Robert Breen, head of the United Nations High Commissioner for Refugees office in Podgorica.

According to UNHCR figures, about 32,000 Kosovar refugees have entered Montenegro over the past week, joining the 25,000 who fled to the Yugoslav republic in the past year. Montenegro now holds about 90,000 refugees, including ethnic Serbs who fled Croatia and Bosnia in earlier conflicts.

Although greater numbers of refugees have entered Macedonia and Albania, Montenegro has a population of only 650,000. "The concern of the government is that the high proportion of internally displaced persons could destabilise the internal situation in Montenegro," Mr Breen added.

"If any one wants to go to Macedonia or Albania, we are helping them to do so. But the government is not pushing them to leave Montenegro," said Nikola Camaj, assistant secretary at the Ministry of Information in Podgorica.

While the flow of refugees has slowed to about 2,000 a day since last week, an unknown number of people, perhaps 15,000, are fleeing Kosovo's Pec region and may yet try to cross into Montenegro.

There have also been reports by non-governmental organisations that Yugoslav army reservists in the north-east of Montenegro have been harassing refugees from Kosovo. "The refugees don't feel secure," Mr Breen said.

It is for this reason and because of the precarious political situation in Montenegro that many refugees may seek to leave the republic for neighbouring Albania and Bosnia.

In Podgorica, government buildings were being guarded by an increased number of heavily armed police, who are loyal to Mr Djukanovic.

The commander of the federal army in Montenegro was last week replaced with a general - from Belgrade by Slobodan Milosevic, Yugoslav president.

Mr Djukanovic regards Mr Djukanovic as a thorn in his side, and has been trying to undermine the government ever since Mr Djukanovic was elected to office last year.

The federal army was not visible in force in or around Podgorica yesterday. Residents said the federal army had dispersed its vehicles and men in the woods and hills to avoid Nato's air strikes.

Tirana agrees to lighten refugee strain

By Stefan Wagstyl in Tirana and Robert Wright in Skopje

Albania yesterday confirmed that it would accept 100,000 Kosovo refugees from Macedonia after intense pressure from western governments for Tirana to help defuse the political crisis in Skopje.

"Albania is the only country in the Balkans which cannot close its doors to Albanians expelled by Milosevic," said Musa Ujini, the information minister.

"The prime minister has said we can't cope with all 100,000 here but we can't say no to them." The announcement coincided with pledges from western governments to aid Albania's financial burden. The United Nations High Commissioner for Refugees promised \$1.5m a month. It is holding a donors' meeting in Geneva today.

US officials refuse to elaborate on Mrs Albright's remarks, and there are clear difficulties. How could, for example, the Nato forces occupy a part of Serbia while Mr Milosevic was still in power and still in state of war?

But her words suggest that for all the protestations that Nato's objectives and strategy have not altered, there is an intensifying debate about how to improve on what so far has been an inauspicious start to Operation Allied Force.

One man tried to flee from the queue going on to the aircraft but was pushed through passenger control by police holding him in an armlock.

The refugees said they had not been told where they were going until they were put on the buses to the airport.

Macedonian authorities were loading refugees aboard five more aircraft also bound for Turkey. Witnesses said the refugees were in poor condition and had only just been told where they were going.

The government has appeared eager to ensure the refugees do not further swell its more than 600,000-strong ethnic Albanian population concentrated in the west of the country, which has a total population of just 2.2m.

The UNHCR said it was trying to organise a flight to Norway for 70 of the most seriously ill people but had

been unable to obtain a landing permit for the flight.

Albania, Europe's poorest country, is already giving refuge to ethnic Albanians pouring into its mountainous northern region from Kosovo. By late yesterday, the Organisation for Security and Co-operation in Europe, which monitors the border, estimated the total was approaching 240,000, including up to 20,000 who arrived yesterday.

The flow shows no sign of abating, with long queues at the main border road crossing road at Morina, near the northern Albanian town of Kukesi. Serb forces have also pushed Kosovars into Albania at the remote post of Tropoje, in inhositable terrain which can only be reached by four-wheel drive vehicles.

However, aid agencies yesterday appeared to be getting a grip on the enormous challenge of caring for the refugees. UNHCR in Albania said the situation was improving thanks to growing supplies of food, tents and medicines.

For the first time yesterday, aid agencies had 12 helicopters at their disposal, including eight from France. The priority remains to move refugees rapidly from the inaccessible Kukesi region to other parts of Albania. However, due to lack of transport, some 12,000 remain in Kukesi, according to government figures, although aid workers in Kukesi say this estimate may be too high.

The outflow of 15,000 a day since last week, an unknown number of people, perhaps 15,000, are fleeing Kosovo's Pec region and may yet try to cross into Montenegro.

There have also been reports by non-governmental organisations that Yugoslav army reservists in the north-east of Montenegro have been harassing refugees from Kosovo. "The refugees don't feel secure," Mr Breen said.

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Children run towards Puma helicopters delivering rations on the outskirts of Kukesi yesterday AP

US betrays signs of shift over troops

By Gerard Baker in Washington

As the US began dispatching to Albania yesterday two dozen Apache attack helicopters, numerous heavy artillery units and 2,000 troops, it looked increasingly as though Washington was sliding inexorably into the kind of intensification of the military conflict with Yugoslavia it has repeatedly refused even to contemplate.

Officials insisted the deployment of what are essentially ground-based forces on the Kosovo border did not represent the first step towards a full-scale land offensive against the Serbian forces attacking Kosovo Albanians.

Instead, they argued, the new units would simply provide much needed material to help the air-based campaign against President Slobodan Milosevic's soldiers. The Apaches, flying low and slow above the ground in Kosovo, would be better able than fixed-wing aircraft to target the Serb forces, while the troops and ground-launched missiles would be tasked to take out any threat to the Apaches as they did their work.

Joseph Lockhart, the White House press secretary, repeated the now familiar mantra yesterday that the

US and Nato had "no intention" of introducing ground forces into the campaign and insisted that the allied operation was going according to plan and had not changed its objectives.

But the terms of the debate in Washington have clearly shifted in the last week and the deployment of the Apaches and troops is a clear response to the growing pressure on the administration of President Bill Clinton to do more. Pentagon officials acknowledge they have been disappointed by the failure of the air campaign so far to do more damage to Mr Milosevic's resources and morale, and by the scale of the refugee crisis.

And, while many domestic critics were opposed to the idea of even a limited air campaign in Kosovo but that could involve a limited military operation on the ground aimed at reshelling. Yesterday, White House officials acknowledged that getting the 300,000 or so refugees back into Kosovo was a *de facto* objective of the campaign.

Although Madeleine Albright, secretary of state, refused to say in an interview at the weekend whether Nato troops might be used to escort refugees back into a potentially hos-

tile environment, she did offer a slightly different formulation of existing Nato policy.

Nato has always said its forces would be used only in a "permissive environment" to keep the peace in Kosovo. Previously, it had been generally assumed that the "permissive" could come only from an agreement by Mr Milosevic as part of a broad peace accord that his forces would not attack them.

But Mrs Albright suggested there was another possibility. "There are other ways to create a permissive environment," she said on NBC News. "What we do is systematically diminishing or degrading his ability to have that kind of control over the area."

In other words, if the air

campaign, augmented by the Apache helicopters and land-based missiles, succeeds in killing or removing enough Serbs, Nato troops might start to assist the refugees back in, even if there were still a potentially hostile environment.

US officials refuse to elaborate on Mrs Albright's remarks, and there are clear difficulties. How could, for example, the Nato forces occupy a part of Serbia while Mr Milosevic was still in power and still in state of war?

There was no evidence of buses or cars in the queue to leave something which had previously afforded some

shelter to those waiting. Many of those allowed through appeared to be medical emergencies. One woman gave birth in the first aid tent by the border post.

The increasingly tense wait led to an incident on Sunday when a desperate man produced a handgun to try to get medical treatment for his ill wife. Further such occurrences look likely.

The wait has also led to some bitterness among Macedonia's own Albanian population of at least 600,000 people. Alajdin Demiri, a leading member of the Democratic Prosperity party of Albanians in Macedonia, part of the governing coalition, expressed opposition to the government's plans to use Macedonia only as a cor-

ridor for transporting refugees. He also said that, despite large amounts of food aid now coming into the country, most aid so far had been provided by the many Albanian families in western Macedonia who were sharing their homes with the refugees.

Macedonia estimated yesterday that it now had as many as 115,000-125,000 Kosovo refugees on its own soil, with 50,000 more waiting in the area between the Kosovo and Macedonian borders, and an estimated 70,000 waiting in Kosovo to cross. The sudden jump in the number of estimated refugees is because the government has started including an estimate of unregistered immigrants.

Macedonia's plan to remove the refugees straight from the small, poor country

2.2m people also looks as if it may face difficulties if the men are determined to return to fight. Hilmi, a father of five children from Vucitn, near Pristina, the Kosovo capital, said his family would have to go wherever they could find shelter, including distant countries such as Norway or Germany.

"I want to find a quiet place for my wife and children," he said. He expressed willingness on his own part to return to fight, however. "If we didn't have the belief that we would go back, we would have ourselves."

Hilmi had crossed the border two days before but was waiting to find his parents, who had still not been able to cross.

The government has

appeared eager to ensure the refugees do not further swell its more than 600,000-strong ethnic Albanian population concentrated in the west of the country, which has a total population of just 2.2m.

The UNHCR said it was

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tion.

Greece has traditional ties with fellow-Orthodox Christians in Serbia and opposes the Nato bombings of Yugoslavia. But it has provided logistical support to the alliance and has condemned the ethnic cleansing in Kosovo.

However, the Nato strikes

have provoked considerable

popular support among

Greeks for Serbia.

Truck convoys are being

organised by Greece's Ortho-

dox church leaders, trade

unions and professional

organisations to drive food

and medical supplies from

Athens to Belgrade.

But as the Nato offensive

intensifies, Mr Simitsis's

advisors are becoming con-

cerned over the widening

gap between the govern-

EUROPE

NATO AIR STRIKES MILITARY CAMPAIGN STEPPED UP DURING CLEAR WEATHER ■ ATTACKS AGAINST GROUND FORCES STILL IN 'EARLY STAGES' ■ BELGRADE INSISTS LOSSES ARE LIMITED

West intensifies raids against command centres

By Guy Dimmore in Belgrade and Neil Buckley in Brussels

Nato aircraft and missiles early yesterday hit civilian and military targets in Belgrade and eight other urban centres, using clear weather to launch the heaviest raids across Serbia since the air campaign began nearly two weeks ago.

Missiles destroyed the headquarters of the Yugoslav air force and air defence in the centre of Belgrade's western suburb of Zemun on

the banks of the Danube. Military sources said the building had been emptied of staff and equipment days earlier and no casualties were reported, but electricity and water to nearby residential areas were cut.

As with the attack on two abandoned interior ministry buildings early on Saturday, the raids were of little military significance. But Nato demonstrated it was ready to risk targeting buildings in the middle of densely populated civilian areas to strike

at the heart of the regime of Slobodan Milosevic, Yugoslav president.

Nato said yesterday that improving weather conditions were allowing it to step up its air attacks but admitted that a concerted campaign against forces in the field were "just starting".

But Air-Commodore David Wilby of Nato military command said attacks on ground forces were in their early stages. "We are just starting to hit them," he said. "The weather has only just

cleared to give us a little more chance of hitting them hard. We are now getting our tactics right, we have ramped up the number of sorties, and [are] taking the fight [against] them very hard."

Despite the intensity of the strikes, Yugoslav government sources said Serb mobile air defence systems suffered only a few losses and were being saved for use against low-level attacks by Nato aircraft on the military in Kosovo province. Bel-

grade's civilian airport, which is also used by the military, was targeted again and a primary school in the suburb of Zvezdara was damaged in a raid on a barracks.

The Yugoslav army and state media said Nato raids destroyed a metal-processing plant and a tobacco factory in the southern city of Niš and a chemical plant in Lucani. Nato also targeted a bridge over the River Ibar on a road leading north out of Kosovo province and a television relay tower on nearby

Mount Kopaonik. A fuel depot of NIS, Serbia's state-owned oil industry, was bombed in the northern town of Sombor in another attack aimed at crippling the army's mobility.

Missiles were also fired at three areas in Kosovo province, including the airport near Prishtina, the Stari Trg zinc and lead-mining area of Mitrovica and targets in the south-east town of Gnjilane. The army also said missiles had hit a fuel and ammunition store, an airfield and a staging area in Kosovo.

All aircraft returned

intact, according to Nato sources, countering Yugoslav claims that Nato aeroplanes had been shot down.

But the alliance said it met more surface-to-air missiles and anti-aircraft fire than previously.

Britain's Defence Chief of Staff General Sir Charles Guthrie said yesterday that six British Tornado warplanes based in Germany, operating for the first time, had hit targets including bridges during the night but gave no details.

Euro-zone may win credibility back under Prodi regime

But the new Commission chief faces a difficult struggle to restore reputation of Brussels and euro, writes Alan Beattie

You can see how far the euro has fallen from favour in the markets, one cynic said recently, when people startouting the appointment of an Italian Socialist as its salvation.

The prospect of a new broom, in the shape of Romano Prodi, heading the European Commission may provide a welcome boost to the credibility of the European Union in the political sphere.

But can be drag euro-zone economic policy-making, and its ailing currency, out of the public disgrace into which it has fallen?

The underperformance of the euro has been the talk of the financial markets almost since its launch. While some of the weakness is simply because the US economy has grown more strongly, and the euro-zone more weakly, than the market expected, the other cause is more worrying.

Most financial market observers agree that the euro-zone, despite the conservative central bank at its core, faces an urgent problem of draining credibility. A very public conflict between the European Central Bank and euro-zone politicians has helped the euro to weaken and indicated to some the presence of a large vacuum where a strategic view of the euro-zone's future should be.

"The loss of credibility is a slippery slope," says Michael Wallace, manager of currency analysis at Standard & Poor's MMS. "Once you start down the slope and lose traction, it is hard to crawl back up again."

The market's chief bugbear, Oskar Lafontaine, the former German finance minister, has departed and his resignation provoked cheers on trading room floors in London. In currency terms, nothing in the political life of Mr Lafontaine, the propagator of what Mr Wallace calls "monetary terrorism" towards the ECB, became so well as the leaving of it. The euro shot up two cents in the half hour after his departure.

But at the end of last week, it was back below the pre-resignation trough, ploughing new lows against the dollar and sterling on the day after Mr Prodi was appointed. Renewed fears of weakness in euro-zone economies and an unsatisfactory deal over the EU budget, regarded by the market as the "lowest common denominator", outweighed the immediate impact of his appointment.

In a sense, Mr Prodi has nothing to lose. With no formal role over the euro, which responds more to signals from the ECB and national finance ministers than from the Commission,

he cannot be blamed for renewed falls. But if he manages to restore a degree of respectability to pan-European politics, especially in such critical areas as the budget process, he has the potential to contribute to a euro recovery.

The market realises that the direct influence of the Commission is small," says Joe Prendergast of Credit Suisse First Boston in London. "So to regain some credibility for the euro, Prodi will have to sort out policy-making in Europe."

This may seem a tall order. It has been a perennial complaint that decision-making within the EU has been fragmented.

Even the omniscient global financial markets sometimes have trouble working out who is in charge. When the European commissioners resigned en masse two weeks ago, the euro dived during the Asian trading session as markets assumed that no-one was minded the shop, only to recover all its losses in Europe, where traders had a

clearer idea of the Commission's limited role.

But if Mr Prodi can give the impression the euro-zone is the sort of place where business can be done, the markets may look upon the euro more kindly. He could also smooth over disagreements between the ECB and national governments, where tensions rumble on, most recently over what Wim Duisenberg, ECB president, called the euro-zone's "disappointing" progress towards fiscal consolidation.

Alison Cottrell, chief international economist at Paine Webber, says the Commission has been "ineffective" at policy co-ordination over the last few years. But getting the policy side right could help a euro recovery, she adds.

With a background in Italian politics, Mr Prodi should know a thing or two about fragmentation and the credibility gap. It could be that the politician who almost miraculously drove Italy to embrace fiscal prudence and economic respectability as the route into the euro is just the man to do the same for the currency itself.

All the president's men... Editorial Comment, Page 13.

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each of the above having its registered office in

47, boulevard Royal, L-1844 Luxembourg

NOTICE OF MEETING

Dear Shareholders,
we have the pleasure of inviting you to attend the Annual General Meeting of shareholders, which will be held on April 22, 1999 at 10.00 a.m. at the registered office at 47, boulevard Royal, L-1844 Luxembourg, with the following agenda:

AGENDA

1. Presentation of the report of the Board of Directors and of the Auditor.

2. Approval of the balance sheet, profit and loss account as of December 31, 1998 and the allocation of the net profits.

3. Divergence to be granted to the Directors for the financial year ended December 31, 1998.

4. Action on nomination for the election of the Directors and the Auditor for the ensuing year.

5. Any other business which may be properly brought before the meeting.

The shareholders are informed that no quorum for the election of the agenda is required, and that the decisions will be taken at the majority vote of the shares present or represented at the Meeting. Each share is entitled to one vote. A shareholder may not represent his shares by proxy. Proxy forms are available upon request at the registered office of the company.

By order of the Board of Directors

Economic slowdown puts pressure on the ECB

ECB watch

By Tony Barber in Frankfurt

The euro-zone's continuing economic slowdown, characterised by an absence of strong inflationary pressures and low business confidence, is putting pressure on the European Central Bank to consider a cut in interest rates on Thursday.

Economists debating whether the European Central Bank will cut its benchmark refinancing rate of 3 per cent might, if pressed, acknowledge that the supply of their opinions considerably exceeds the demand.

But the arguments for and against a rate cut are delicately poised ahead of Thursday's meeting of the ECB's Governing Council.

The European Commission last week revised its forecast for economic growth in the 11-nation euro-zone this year

to 2.2 per cent from 2.6 per cent. Overall growth in the five largest economies – France, Germany, Italy, the Netherlands and Spain, which account for 90 per cent of euro-zone gross domestic product – weakened sharply in the last three months of 1998.

At the same time, the most recent monthly surveys of business conditions in France and Germany showed another fall in confidence in February. As for inflation, the ECB said in its

March bulletin there was no large risk that consumer price inflation would exceed its ceiling of 2 per cent in the near future.

Lastly, annual M3 money supply growth, a tool the ECB uses to help determine monetary policy, fell to 5.2 per cent in February from 5.7 per cent in January.

However, the annualised three-month moving average stands at 5.1 per cent, above the bank's so-called reference value of 4.8 per cent. The strongest argument

against a rate cut is the euro's 8 per cent decline against the dollar since its launch in January. This weakness has not only in effect eased the ECB's monetary stance, it could also put upward pressure on industrial and consumer prices. In addition, surveys of the German and Italian manufacturing sectors in March suggest that the weakness of the past six months may at last be ending. The uncertainty about whether German industry has more or less stabilised, and the fact that both these surveys are not too bad, both point towards a wait-and-see approach, rather than a cut, from the ECB next Thursday," says Norman Williams of Barclays Capital. Even so, most European economists remain confident of a cut of up to 0.25 percentage points, with a majority still anticipating an ECB move next Thursday or on April 22. The table of euro-zone economic indicators will be published next Tuesday.

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Swissair

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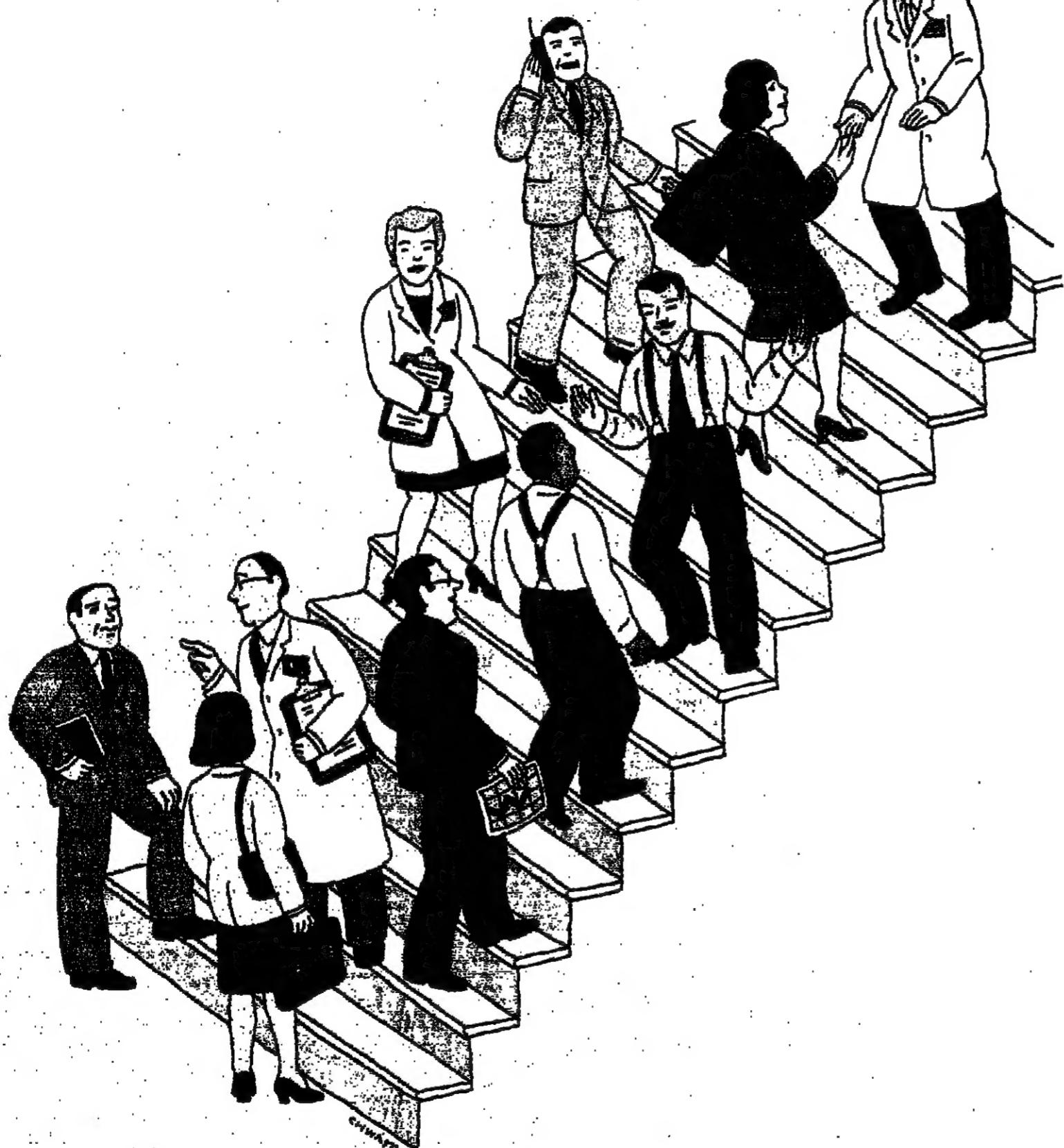
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Sales	2.9 billion	+ 10
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Profit before taxes	368 million	+ 15
Net profit for the year	207 million	+ 17
Cash flow	368 million	+ 60
Consolidated profit per share	5.07	+ 19
Equity capital	1.6 billion	+ 8

Innovative products in our Pharmaceuticals (Bkr Gulden) as well as in our Specialty Chemicals Division (BYK-Chemie) constitute the base for double-figure growth in sales and profit. With an equity ratio of 55 percent ALTANA disposes of a remarkable financial strength. We will take advantage thereof in order to be able to penetrate new markets, to broaden the production capacity worldwide (Brazil, China, India, Poland) and to further intensify our research activities.

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FINANCIAL TIMES TUESDAY APRIL 6 1999

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PEOPLE ON THE MOVE

Grafstein leaves CSFB to manage new investment fund

Laurence Grafstein is leaving his post as head of global telecommunications at Credit Suisse First Boston to help run a new \$1bn telecoms investment fund.

Grafstein will manage the fund, with Mohamed Ameri, a mergers and acquisition specialist at Jones, Day, Reavis & Pogue, the law firm, and Michael Yagemann, formerly head of media and telecoms at NationsBank Montgomery.

The fund is backed by Spain's Telefonica telecommunications group and Onex, a Canadian holding company that has experience of private equity investments. It will invest more than \$1bn in unlisted telecommunications and technology ventures.

Grafstein, one of the Wall Street's leading telecom bankers, said: "This is an extraordinary moment in the market for growth investment opportunities and the telecommunications and electronic commerce space". He added: "This fund intends to be the premier vehicle for taking advantage of those opportunities."

A statement said that the fund "will take advantage of the global opportunities that are being generated through convergence and consolidation in the telecoms sector today, as well as from the emergence of new technologies".

Onex is to commit \$150m to the fund and Telefonica \$250m. Donaldson Lufkin & Jenrette, the US investment bank, is expected to be retained as a placing agent for the balance of the fund which is expected to begin operating on May 1.

Juan Villalona, Telefonica's chairman and chief executive officer, said the fund's unique strength was in combining an independent and experienced management team, a successful financial investing group, and an operator.

William Lewis, New York

Senior changes at Korn/Ferry

Korn/Ferry International, one of the world's leading headhunting firms, has announced a series of appointments in an attempt to prepare the firm for further global expansion and to increase its internet executive search business.

Michael Wellman is the new president of global specialty practices; James Boone is president of the firm's Americas region; Michael Perkins is president of the Europe region; and Stephen Romaine has been made president of the Asia/Pacific region.

All four will report to Windsor Priem, president and chief executive officer of Korn/Ferry.

"The appointments are designed to organisationally strengthen Korn/Ferry in anticipation of further global expansion of our senior level search business," said Priem.

He added that the appointments were also intended to accelerate the growth of Futurestar, the firm's internet-based mid-level executive recruitment business which is to be introduced worldwide this year.

Wellman, 45, will be responsible for the expansion of Korn/Ferry's business in more than 20 international locations.

He joined the firm in 1992, became managing director of its New York office in 1995 and for the past year has headed Korn/Ferry's North American north eastern region.

William Lewis, New York

BRAZILIAN INVESTMENT COMPANY

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Serge Scolat, 47, boulevard Royal L-1449 Luxembourg

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NOTICE OF MEETING

Dear Shareholders,
We have the pleasure of inviting you to attend the Annual General Meeting of shareholders, which will be held on April 22, 1999 at 12.00 a.m. at the registered office at 47, boulevard Royal, L-1449 Luxembourg, with the following agenda:

1. Presentation of the reports of the Board of Directors and of the Auditors
2. Approval of the balance sheet, profit and loss account as of December 31, 1998 and the allocation of the net profits
3. Discharge to be granted to the Directors for the financial year ended December 31, 1998
4. Action on nomination for the election of the Directors and the Auditors for the ensuing year
5. Any other business which may be properly brought before the meeting.

The shareholders and auditors that no quorum for the meeting, the agenda as required, and that the documents will be sent to the shareholders of the company present or represented at the meeting. Each share is entitled to one vote. A shareholder may act at any meeting by proxy. Proxy forms are available upon request at the registered office of the company.

By order of the Board of Directors

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By order of the Board of Directors

MANAGEMENT ONLINE STRATEGY

Pioneers flood a niche

John Labate looks at a breed of net marketing specialist making the most of a fresh medium

I T'S a sound argument to be made that people from a traditional agency background don't get the net. "There is a long list of common mistakes. Some sites, for instance, require a password to be sent by post before access is allowed.

Companies are anxious not to fall into the usual traps, given the risks of launching a web site that fails to attract customers or appeal to existing ones. In an IDC survey of 100 large web sites, the initial cost to build an interactive site averaged \$5.9m, with annual maintenance costs at \$4.3m.

At John Hancock, the Boston-based financial services company, the problem was how to attract consumers of different ages and financial needs. Hancock hired Modem Media in 1997 and launched a transactional web site in 1998 that is having strong results.

At one of its leading product groups, term life assurance, online sales now account for 35 per cent of all direct-to-consumer sales, second only to far more expensive

traditional advertising and consulting companies are found wanting when it comes to learning the best way to draw customers, spread the brand name and make sales on the internet.

Robert Ayling of British Airways is one chief executive who understands exactly how swiftly this transformation is taking place. Eager to slash costs, he has said BA is committed to managing fully half its business on the internet by 2003, up from less than 10 per cent today.

BA's aggressive drive plus the carrier against other airlines as well as online booking engines such as Preview Travel and Microsoft's Expedia, popular sites for consumers looking for the best deals.

Yet rather than go it alone, BA is working with Agency.com, one of the new US online marketing companies. For over two years Agency.com has developed more than 2,500 web pages for the UK airline, helping shape BA's online strategy with booking and trip-planning services.

The push by traditional companies such as BA, Texaco and Unilever to maximise their internet and internal intranet operations has powered a surge in growth for two new sets of internet companies: online marketing specialists, such as Agency.com and Modem Media; Poppe Tyson; and more technically oriented systems integrators like IXL of Atlanta and USWeb/CKS of California.

All are expanding rapidly, with offices in the UK and Europe, fuelled by robust customer demand. In December IXL signed a five-year deal with Delta Air Lines that is worth \$10m in the first year alone.

Why are such deals happening in a sector that had existed three years ago? Too often the skills of

existing agencies. True North owns 51 per cent of Modem Media, a publicly traded stock as of February.

Agency.com is backed by Omnicom, the global agency.

Most traditional marketing firms are attempting to close the gap by developing their own in-house internet divisions. In addition, International Business Machines and other tech-savvy giants are moving into the systems-side support, a market now led by IXL and USWeb/CKS.

According to IDC



CHAN SUH: 'THIS IS NOT A MARKET-SHARE GAME; THE MARKET IS EXPLODING'

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Another reason for caution

has to do with the recent spate of mergers.

A wave of consolidation swept through the online marketing sector last year, and is likely to continue this year, leaving the largest firms with greater revenues.

Most of the firms are privately held, but have estimated post-merger revenues of between \$100m and \$250m. The question remains

whether they can continue growing at a strong clip internally.

"Acquisitions are as important [as organic growth] to this stage of the market," says Chan Suh, chief executive of Agency.com. "This is not a market-share game, the market is exploding."

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THE ARTS

EXHIBITION 'STEALING BEAUTY' AT THE INSTITUTE OF CONTEMPORARY ARTS

The art of looking two ways at once

William Packer is charmed by the freshness and lack of pretension of the works on display

As Philip Dodd, the ICA's director, nicely puts it in his foreword to "Stealing Beauty", its latest exhibition: "Design is often a problem for over-tidy minds. It looks so many ways at once: towards the industrial and the artisan, towards culture and commerce, towards art and product, towards aesthetics and ethics."

It is the looking all ways at once that is the point. At the RCA for example, and in art schools everywhere, the mutual, fertile, necessary relation of design to art and back again is ever demonstrated.

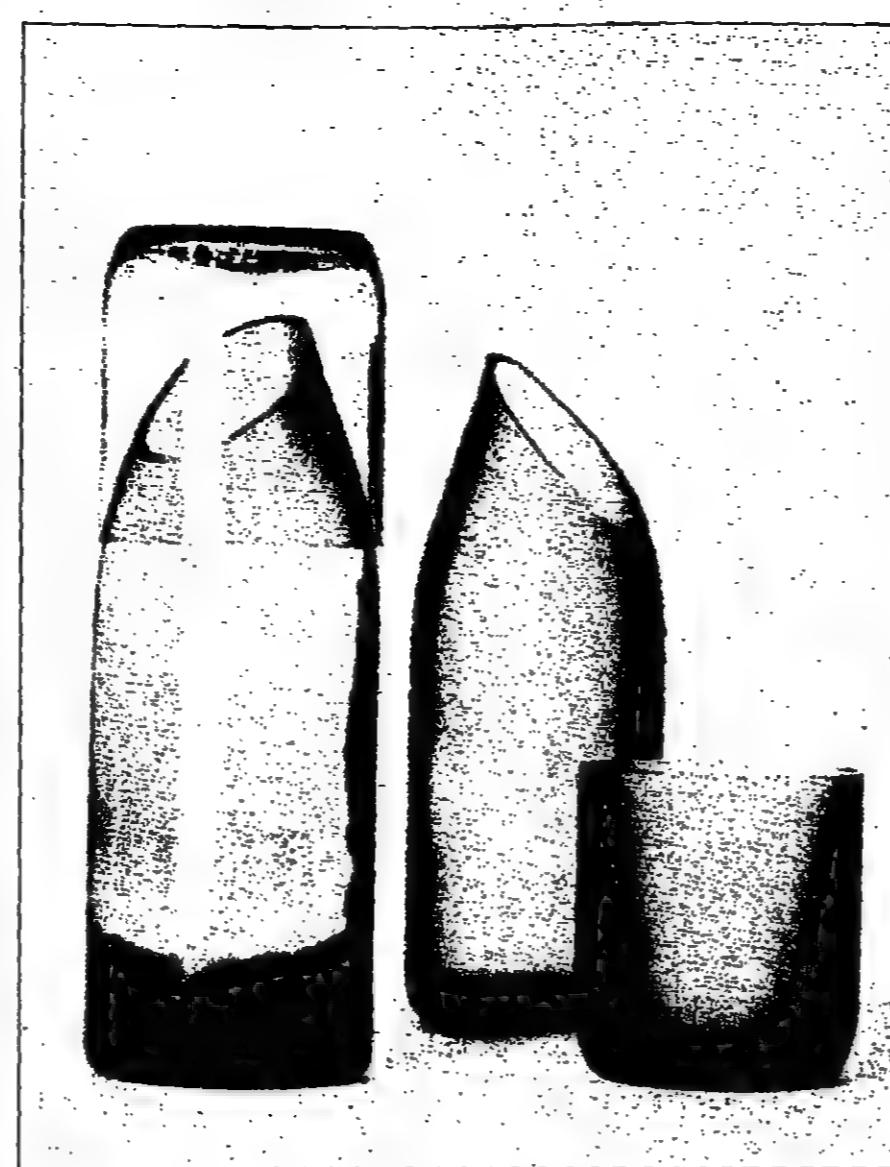
The question, perhaps, is really one of context. Thus "Stealing Beauty" could well have appeared at the Design Museum, with its close and particular focus, or indeed at the Victoria and Albert, with its historical and comprehensive overview. But, without taking anything away from either institution, that it should fall to the more open-ended, opportunistic, time-less ICA to put it on is perhaps the more apposite. Is it design? Is it art?

Claire Catterall, the design historian whose idea it was, has invited some 16 designers or design partnerships, most of them fairly young, to show something of their recent work that would characterise their personal interests and approach. But this is no survey, no looking just to the best of its kind, straight-down-the-line product design. Rather, she has looked to the more idiosyncratic and experimental, those, she says, "who are searching for a new method and meaning in design". And beyond the art-speak, the

idea itself is intriguing and engaging: "This is not a revolution; there is no manifesto, no agenda, no lofty ideal. It's not a design movement... this is a far more gentle thing - it's simply a mood, an energy."

Method, mood, meaning or whatever, what brings these designers lightly together is a shared interest in the mundane and the everyday, in the furniture, ephemera, and fallout of ordinary life, and the preparedness, above all the wit, to make use of it all. Such raw material might be, for example, nothing more than a roll of heat-resistant masking-tape (Georg Bärtle); the steel wire-mesh of the supermarket-trolley (Azumi); sheets of perforated hardboard and MDF (Michael Marriott); rolled-up magazines (El Ultimo Grito); recycled wine bottles (transglass); or simply a few torn scraps of printed card or carton (Alex Rich).

But in the end it is not what they use, but what they make of it that matters, and what is most impressive here, not to say delightful, is the wit and panache with which they set about it, and the general elegance and economy of the result. Particularly refreshing is their general straightforwardness of approach, and lack of any conceptual pretentiousness or self-consciousness. It is perfectly clear that they are well aware of what artists now are up to. But where their conceptual fine-artist peers might dog a particular idea to death, hanging on about "investigating issues" in a pile of leaves or a piece of string, they just make something. Georg Bärtle



Shifts in perception: Transglass's wine bottles become the most refined of modern glass

simply pushes out from the centre roll of tape until he has a stalagmite some four or five feet tall, turning it into a glowing lamp with a bulb inside. The Azumi partners simply bend

and fold that familiar trolley-mesh into the most elegantly minimal of chairs, here strung up in mid-air like the sparest of Japanese lamps.

El Ultimo Grito (The Last

Word) has a perforated plastic tube into which rolled up magazines are poked, transforming it immediately into a most useful and practical hat-rack. Magritte-like bowler hats and all. The

designers not care what they say so openly and above all, so visually about themselves, when they clearly care so very much about their work? It is indeed a puzzle, and a real shame.

Stealing Beauty - British Design Now: Institute of Contemporary Arts, The Mall, London SW1, until May 31; in association with Perrier-Jouët Champagne.

CONCERTS SOUNDING THE CENTURY

Plenty of new young talent to choose from

Heaven help young composers early in the next century. To judge from the disproportionate flood of new music concerts at the end of this one, it could be 100 years before they get a decent hearing.

As 1999 progresses, BBC Radio 3's festival, *Sounding the Century*, is reaching its culmination. After various mini-festivals devoted to leading composers it is getting down to business in April with a month-long celebration of British music since 1945 - a period in which the UK has arguably held its own internationally for the first time since the 1900s.

The byline of the festival promises classics of British music, and it seems the honour is decided pretty swiftly these days. Richard Causon's *Millennium Scenes* was getting its first performance at Wednesday's opening concert and, while it ranks as an invigorating piece, brimming with late 20th-century urban impatience and cutting-edge sounds, it is a brave man who would call it classic from day one.

Harrison Birtwistle's *Endless Parade* is already more than 10 years old and its artistic profile is as sharp as ever. Although repeated listening does not make it easier to follow its stream of striking ideas, there is no question that Birtwistle has managed to write a virtuoso concerto that is also uncompromisingly serious music. Hakan Hardenberger, as at the premiere,

was the brilliant soloist.

Turning the clock back after that to 1945 comes as quite a shock. The position of Britten's *Peter Grimes* as one of the great operas of the century is unassailable, but that does not mean its music transfers well to the concert hall. The central pair of the *Four Sea Interludes* are too contrived to be convincing, unlike the outer pair, which dazzled here in precision performances by the BBC Symphony Orchestra under Andrew Davis.

They also gave what seemed a remarkably detailed performance of Tippett's *The Vision of St Augustine*, for which they were joined by the BBC Singers and BBC Symphony Chorus and Alan Opie, a fine and steady baritone soloist. Unfortunately, the work itself remains a problem: Tippett had a natural disposition to create in-built barriers over which his desire to express himself has to triumph, but in this case it is hard to sense the message coming through. Too much of the music is difficult in the wrong way.

The good news is that the high quality of the musical preparation also promises to distinguish the BBC Symphony's other concerts in this series, featuring more Britten, Tippett and Birtwistle, together with younger names. It is to Britain's credit that there are so many to choose from.

Richard Fairman

CONCERTS MARIA JOAO PIRES AND GUSTAV LEONHARDT

Mozart to swoon over

Two London concerts contrasted mightily last week, one a sumptuous pleasure, the other devoid of any sensuality.

At the packed Barbican Hall, Maria Joao Pires, a Portuguese pianist, used her gently beautiful tone to support poetic insights, to coax the listener into a state of intoxication that few other pianists can match. If she didn't sketch a complete picture for every work, at least she had the great artist's knack for making you forget - certainly while she was playing - that there could be anything else to say in the music.

Thus, it's easy to understand Pires's spectacular rise to international prominence over the last decade. Just as Alfred Brendel was "discovered" and became a star around 1970 - after years in a mid-tier career - so it seems that audiences are now content to embrace Pires's artistry on her own terms. It's not that she has changed significantly since those early recordings - it's more that we're ready to listen.

In the Chopin-filled second half, Pires's pliant tempos breathed naturally, with five Nocturnes (from Op. 15 and 27) played in a nuanced, singing voice. And she added details at every level, though not as a storied stroke.

David Murray

And although she is not an immaculate technician, she made the agitated episodes in the Fantasy (Op. 48) persuasive while the quieter episode gently dissolved. The closing restatement of the theme was reflective, not triumphant. It had to be: there was never a journey. In the Fantasy-improvisation (Op. 66), quick and nimble, Pires kneaded every phrase, folding one into another, shifting from foreground to background, and recreating her perspicuous Chopin style.

These terms were less convincing at the evening's start, where Debussy's "Suite: Pour le Piano" never quite settled in, despite Pires's clean, lovely playing and elegant tempo. Under her fingers the interval that once must have seemed so jarring, those 7ths and 9ths, sounded timeless, not impressionistic but eternal.

The opening theme and variations of Mozart's *Sonata in A* (K331) were softly etched, weepy and introspective, even a bit mannered. Lost was the spontaneity. Pires made curiously slow and self-conscious tempo choices in the Rondo, putting a distinctive stamp on the piece. It was Mozart for cascading beauty of sound, Mozart to swoon over.

What a contrast in attitude a day later, at St John's Smith Square, for a performance of Bach's "St John Passion", an evening of spartan devotion, with no applause and no interval. Conductor Gustav Leonhardt's Bach is a known product. His "four historically informed" style grew up alongside Modernism, and shares its values: angular, pungent harmonies, lean textures and clipped phrasing that banishes long-spun lines. Today, it sounds like an ascetic's sensibility and a little far out: it's an occasional kind of pleasure.

The Orchestra of the Age of Enlightenment soaked up Leonhardt's approach: the 13-member Choir of the Enlightenment sounded pale but were aggressive in entrances, while the soloists each brought slightly varied emphases. Soprano Rachel Eliott used her warm and pleasing middle range expressively. Counter-tenor Michael Chance's delivery, round and smooth, settled dry on the listener's ear. The best interplay came in the recitations between the Evangelist (Mark Padmore), Jesus (Michael George) and Pilate (Stephen Varcoe), each theatrical in delivery and agreeable in tone.

Despite Leonhardt's sinewy command of overarching structure, it wasn't a spirited performance, but rather provided pleasures of the moment.

Pierre Ruhe

aims to present the unfamiliar side of French culture to the Japanese. Shows about 200 aperitif and wine posters from the late 1800's to the 1960's; to Apr 25

VIENNA

OPERA
Wiener Staatsoper
78: 43-1-51444
Macbeth by Verdi. Conducted by Simone Young in a staging by Peter Wood, with a cast led by Leo Nucci and Elane Coelho; Apr 6, 9

TV AND RADIO

• WORLD SERVICE
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHz (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

• CNN International
Monday to Friday, GMT:
06:07; 07:07; 08:20; 09:20;
10:20; 11:20; 11:32; 12:20; 13:20;
14:20

06:30: Moneyline with Lou Dobbs
13:30: Business Asia
18:30: World Business Today
22:00: World Business Today Update

• Business/Market Reports:
06:07; 06:07; 07:07; 08:20; 09:20;
10:20; 11:20; 11:32; 12:20; 13:20;
14:20

At 08:20 Tanya Beckett of FTTV reports live from Liffe as the London market opens.

FESTIVALS BUDAPEST

Music, sex, shopping for prudent visitors

The Budapest Spring Festival is always a bit dodgy: not because of the fare it offers - theatre, folklore and especially music - has anything but high aims, regularly achieved, but because it is always winter still when it begins, with spring arriving distinctly later. Prudent visitors come late.

This year spring burst out on Wednesday last week, rather like dawn being switched on for *The Truman Show*. After wintry showers before, Budapest warmed abruptly by 10°C or 15°C, relaxed and glowed. Nicely timed: on Tuesday we had Bartók's one-acter *Ducks Bluebeard's Castle* and his sour, beady-eyed ballet *The Miraculous Mandarin* (that was the sexy bit) at the Hungarian State Opera, whereas Wednesday brought a concert of Bartók at his sunniest - creative folk-arrangements, the ever-popular Concerto for Orchestra and the 3rd Piano Concerto, written for his pianist-wife Ditta.

It was good to hear Bartók performed at home, so to speak, in this beautiful opera house and by excellent Hungarian singers. Károly Kováts's grave, gentle Bluebeard is long familiar in the west, and Katalin Szendrőyi's mezzo

Judith went through a striking dramatic development as the action unfolded. Adam Fischer conducted sympathetically, though without much tension, nor, as far as I could tell, all the extra brass Bartók wanted for the Fifth Door, nor the organ.

Fischer had a much tighter grip on the weird *Miraculous Mandarin*, which fairly cracked

The singers disported themselves on Csaba Antal's tower of metal girders

and was lustily mimed and danced. In the National Philharmonic's all-Bartók concert Zoltán Kocsis, whom we know in the west as an intense, imaginative pianist, conducted a crackling performance of the Concerto for Orchestra, crisper and sharper than I've heard it in years. (In the "Games of the Couples" movement, the perky bassoons won hands-down.) He provided

an alert accompaniment for Peter Döpke's clean, forceful account of the 3rd Piano Concerto, too.

Hungary boasts so many distinguished chamber-musicians that the festival can always offer a luxuriant spread of chamber-music. I chose instead to try two new opera productions. One was a world premiere, János Vajda's *Lemons and Lenz*, based on Georg Büchner's first play (his other two, *Danton's Death* and *Woyzeck*, have already been set by Gottfried von Einem and Alban Berg).

Vajda used to be an "avant-garde" composer, but has crossed over to what he hopes is popular appeal. This *Lemons and Lenz* was deeply unappealing.

It's not that he is popular appeal.

Vajda's response to the whimsical, cod-

philosophical text was to set Act 1 mostly to pastiches of Italian opera from Rossini and Donizetti.

Verdi, neither witty nor funny, and most of Acts 2 and 3 to stuff

which dimly recalled superior Kodály and Bartók. György Fehér's strenuously comic production tried to make the best of it.

Far more exciting was János Gézdy's staging of Strauss's *Elektra* in the lofty atrium of Budapest's giant new shopping mall, the Duna ("Danube") Plaza

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INTERNATIONAL

Arts Guide

AMSTERDAM

DANCE

Het Muziektheater
Tel: 31-20-551 8911
Dutch National Ballet, featuring *Acts of Light* by Martha Graham, with the world premiere of Krzysztof Pastor's *Bitter, Sweet, and Banchaine's Symphony* in Apr 8, 9

EXHIBITION

Hilversum
Tel: 31-20-573 2121
The Floating World: Japanese scroll paintings from the Kumamoto Museum of Art to Jun 13

OPERA

Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Otello by Verdi. Conducted by Carlo Rizzi in a staging by Klaus Michael Gruber, with a cast led by Vladimir Bogachov; Apr 10

CHICAGO

CONCERT Hall
Tel: 1-312-294-3000
www.chicagosymphony.org

Chicago Symphony Orchestra presented as part of the Great Performers Series in works by Mozart and featuring Alfred Brendel on piano, Katherine Gowers and Lucy Jean on violin; Apr 6

EXHIBITION

Hilversum
Tel: 31-20-551 8911
The Floating World: Japanese scroll paintings from the Kumamoto Museum of Art to Jun 13

BONN

EXHIBITION

Kunst und Ausstellungshalle der Bundesrepublik Deutschland
Tel: 49-228-917 1200
www.kab-bonn.de

High Renaissance in the Vatican Art and Culture at the Papal Court (1503-34): The early 16th century saw Papal Rome establish itself as the centre of art in Europe. The Vatican commissioned work from such great artists as Leonardo da Vinci, Michelangelo and Raphael; to Apr 11

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Tuesday April 6 1999

Asia's shallow recovery

The crisis-hit tiger economies of South Korea, Malaysia, Indonesia and Thailand appear to be gathering strength. Not only have financial markets stabilised, but there is positive economic news too: output growth this year is forecast to be vastly improved on last year, with Thailand, South Korea and perhaps Malaysia likely to see a return to growth. But does this recovery run deeper than the surface?

The main reason for the rosy economic outlook is an expected recovery in domestic demand, driven by loose fiscal and monetary policies. There is some evidence for this already: in Korea, for instance, wholesale and retail sales rose by 7.3 per cent year on year in February.

But the improvements in domestic demand are partly temporary, as consumers spend some of the savings they built up during the crisis, and catch up on essential purchases they have had to delay. As the year goes on, rising unemployment will discourage spending. And looking further ahead, as recent behaviour in the Japanese bond markets has shown, high levels of government borrowing cannot go on indefinitely without the markets taking fright.

If consumption does slump again, there may be no other sources of growth to take its place. The combination of excess industrial capacity with a high level of corporate indebtedness means that demand for investment is likely to remain low – even assuming that the banks are ready to make new loans. And substantial export-led growth will not be possible while there is slow growth both in the region and worldwide.

Lockerbie trial

The trial of the two Libyans suspected of bombing the Pan Am flight that exploded over Lockerbie in Scotland in 1988 will serve two main purposes. The first is the ordinary demand of justice. Whatever the outcome of the trial, relatives of the 270 victims will at least be able to see the evidence that took three years and £8m to collect.

Second, it will be an important step in the international campaign against terrorism. The decision by Muammar Gaddafi, Libya's president, to surrender the suspects for trial in the Netherlands is the result of seven years of United Nations sanctions and intense diplomatic activity.

It may be that the controversial US bombing raids on Libya in 1986, in which Mr Gaddafi's adopted daughter was killed, helped to persuade him to move away from terrorism. But there is no doubt that a proper trial of the suspects sends a very much better message to the world.

The handing over of the suspects will be welcomed in the Arab world. It will also help to improve the tarnished image of the US and Britain, which are thought in the region to have taken too hard a line against Iraq. Another welcome effect will be to improve the credibility of

Euro-slide

Good money drives down bad. Since its triumphant launch on January 4, the euro has plunged almost 10 per cent against the US dollar, and 4 per cent on a trade-weighted basis. At its birth, one euro bought \$1.18. Yesterday, in Asia, it was bumping along at \$1.07. Does this matter? And what does it say about economic health in the euro-zone?

Wim Duisenberg, president of the European Central Bank, says that he is not bothered about a weak euro. However, it can hardly be good for morale in Frankfurt. So much for the talk of a strong euro knocking the hegemonic dollar off its perch. If the euro keeps sliding, it could even reach parity with the dollar.

The optimistic rise that followed the departure of Oskar Lafontaine from the German finance ministry was short-lived.

However, for struggling industry in the ailing economy of continental Europe, a soft euro at least provides some relief. The European Commission warned last week that it would have to cut its euro-zone growth forecast of 2.4 per cent this year, citing weaker business confidence and investment, and weaker industrial output than previously expected. With a strong euro, the outlook would be worse.

The euro's slide has occurred

despite a growing current account surplus in the euro-zone, and a whopping current account deficit in the US. Other things being equal, this should be expected to lead to a strengthening of the euro.

Other things are not equal. The US deficit reflects strong domestic demand. The US economy has weathered the Asian, Latin American and Russian storms with strong growth. By sucking in exports, it is helping recovery in emerging markets and providing relief to Japan.

The European current account surplus is a sign of weakness not of strength. It is the result of sickly European consumer demand and investment, which in stark contrast with the US, have depressed growth prospects. It is of no help to emerging markets, and could make already bubbling trade tensions boil over.

Europe needs serious structural reform to remove the stranglehold on business and to free up labour markets. It also needs an interest rate cut to stir animal spirits and provide a shot in the arm for depressed European business. The interest rate bit is the ECB's job. It should cut rates significantly. A quarter point will not restore the confidence that accompanied the brave launch of the new European currency.

And some of the high-profile arrivals have high hopes. McKenize's already talking about "plugging in to the power", although ANC stalwarts will be braced off if their path to the top is blocked by former enemies. The ministerial juggling will be worth watching.

Friends in need
If you're a democrat in the Republic of Srpska, the

COMMENT & ANALYSIS

In search of a soul for Europe

Romano Prodi aims to lead a strong EU team, write Peter Norman, Lionel Barber and James Blitz



management, fraud and nepotism sharply criticised the lack of any sense of responsibility in the un-elected commission. Mr Santer and his fellow commissioners quit.

Mr Prodi acknowledged that the "parliament, public opinion and some governments such as the British" have high expectations that he will reform the discredited Brussels executive to make it more efficient and accountable. He is also aware people will be looking to him for a vision of 21st century Europe.

Although he says he needs "proper time to discuss the commission, to make plans, to prepare everything", he has already made one decision. He is determined to use the "mutual veto right" conferred by reforms in the EU's Amsterdam Treaty to assemble a "high-level team" of commissioners in consultation with the member states' governments.

Mr Prodi's goal is to ensure that governments no longer send political lightweights to Brussels for domestic political reasons. He talked of "organising the commission with top men [and throughout the interview, Mr Prodi speaks of men rather than people] for the top jobs."

He has not yet disclosed names, but is confident that "the time of sending lame ducks to Brussels is over". And if not? "I would have a duty to say no, if

there was a threat to the standing or image of the commission".

He does not rule out the reappointment of some members of the Santer commission, which continues to function in a caretaker capacity. "Why not?" he asks. "There are high-level men and men of integrity too. There have been unjustified, over-generalised judgments about the commission".

Although Mr Prodi forecasts

We must have a Europe that is closer to the citizens and more efficient

"differences of view and differences of opinion" with member states over the nominations of commissioners, he underlines his wish to work well with the other EU institutions. "The commission is just one of the strong components of the European Union. The council [where the member states make their decisions on the EU], the commission and the parliament must go together. That is why it is so important to have a relationship with the parliament."

In his view, the nature of the European Union and the position of its member states changed fundamentally with the introduction of the euro at the beginning of this year.

"In the longer view, we have started a new chapter in the structure of Europe," he says. "The euro was not just a bankers' decision or a technical decision. It was a decision that com-

mented the commission would

have to be restructured to

improve its performance. "But

you don't go in there as

McKinsey man," he says, refer-

ring to the US management con-

sultancy.

"The commission must be con-

centrated on strategic aims," he

adds. "It must be the guardian of

[the EU] treaties; responsible for

legislative initiative – that is of

enormous importance. And it is

not to go organising all those

tiny projects." In some

research programmes, "the cost

of bureaucracy is as much as the

aid handed out," he says.

But for Mr Prodi, the commis-

sion has a bigger, more vital role

to play. He hopes that during his

presidency the EU will begin to

develop what he calls "a common

European soul". For that "you

need very high, top level com-

munity, not in terms of bureau-

cracy, but in terms of common

feeling and understanding of

what is happening".

Will Mr Prodi reserve a place at

the June European Council Meet-

ing in Cologne, which is due to

discuss a programme of EU ins-

titutional reforms to prepare the

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the council on June 3-4 might

be difficult if he were campaign-

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He hesitates. "If requested,

then of course I will go," he says.

"But this job needs time – time

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OBSERVER

Open House at the ANC

Plenty of political parties think of themselves as broad churches. But South Africa's ruling African National Congress looks ready to set new records for breaking down the barriers.

With elections only two months away, the party is welcoming a rash of new converts – mainly from its old foe, the New National party, which once upon a time was the apartheid state.

These days the ANC is struggling with its colourless leader, Martinus van Schalkwyk, and isn't expected to keep control of its Western Cape power base. So it's none too surprising that among the ANC's ANC is Patrick McKenzie, a Western Cape bigwig who's been very rude about his new party in the past. Politicians from liberal and radical parties are also hurrying to join the ANC bandwagon.

And some of the high-profile arrivals have high hopes. McKenzie's already talking about "plugging in to the power", although ANC stalwarts will be braced off if their path to the top is blocked by former enemies. The ministerial juggling will be worth watching.

Friends in need
If you're a democrat in the Republic of Srpska, the

Serb-controlled part of Bosnia-Herzegovina, you probably need all the friends you can get.

But it's still a touch surprising to see Rajko Vasic, beleaguered Bosnian Serb democrat and information minister for Republika Srpska, sitting in his office in Banja Luka and sporting a tie bearing the red hand of Ulster.

While the red hand is a symbol deeply believed by some of the more sectarian Protestant elements in Northern Ireland – don't confuse the Red Hand Commandos with the Red Hand Defenders – Vasic plays down his choice of neckware. He says he just happened to get it as a gift and his wife thought it was a perfect match for one of his shirts.

On the other hand, he's quite amused to learn that militant Protestants at one of those dogged standoffs last year had taken to waving a Serb flag to demonstrate international solidarity. Nor does he seem very upset that there will be parts of the British Isles where the tie might bring on a choking fit.

Forwards march

There's been nothing like it since German and British troops took time out from killing each other during the first world war to kick a ball backwards and forwards on Christmas Day. Vietnam and the Philippines have agreed to let their troops garrison in the

Serbian islands play soccer against each other.

The islands, a collection of more than 200 potentially oil-rich reefs and islets spread out across the South China Sea, are at the heart of a longstanding dispute over territorial rights involving several nations in the region. But the Philippine defence department said yesterday that matches were being arranged between its own men and Vietnamese troops to "help promote confidence" in the disputed area.

Defence secretary Orlando Mercado put the idea to Vietnamese president Tran Duc Luong last week and he's said to have readily agreed. The first match is likely to be held on Pagasa Island – occupied by Philippine troops – followed by a rematch to be held later in the year in Hanoi. No word yet from China, which claims all the islands, on whether it fancies occupying a football pitch for 90 minutes.

Tokyo bull

Venture Sefen, a Tokyo engineering company, welcomed its new employees with a bit of bull last week.

While most Japanese companies use more staid ceremonies to kick off the new fiscal year, Venture Sefen hosted Japan's first bullfight, complete with company president Fusao Saitoguchi in a

gold matador's costume.

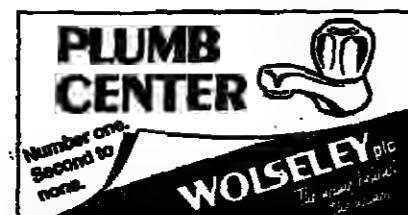
To pull off the spectacle, staged in a city sports arena, the company coughed up \$1.7m importing bulls from Mexico and a pair of matadors from Spain.

Of course, it fell a little short of the full Latin experience. Responding to protests from animal rights groups, the matadors did their magic without using swords and drew no blood from the bulls. No word either on whether organisers put tequila in the office watercoolers.

Rated

Irish police were patting themselves on the back yesterday after swooping on a remote distillery producing poison, an illegal liquor that comes in handy as a substitute rocket fuel. Senior officers in County Donegal are calling the raid – it uncovered 70 gallons of the stuff – the most significant strike against bootleggers in more than 20 years.

But this particular consignment, it seems, had more body than most. Peering inside several of the open-topped barrels, the police found several dead rats. Inspector Greg Sullivan, who reckons the little scoundrels probably fell in, says their presence should be a warning to anyone "not to touch the stuff".



FINANCIAL TIMES

TUESDAY APRIL 6 1999



THE LEX COLUMN

Japan's jaded recovery

Is there finally light at the end of the tunnel for Japan's groaning economy? The omens are less apocalyptic than they were. Take yesterday's *Tankan* survey of business confidence. This registered a small recovery in sentiment - not much in itself, but a welcome change after almost two years of consistent falls.

There is an argument for saying some sectors of the economy are bottoming out. But it is worth asking how this can be. Japanese consumers are not responsible: domestic consumption is actually falling. So is capital spending, as companies burn off the excess capacity that bedevils the economy. There is no evidence the shortage is being recouped through higher exports.

The main prop is the government. By injecting funds into the banking system, it has eased the credit drought afflicting Japanese companies. At the same time, its fiscal stimulus programme has led to an ascending programme of public works. Hence the recovery in problem sectors such as construction.

But it is worth asking how much longer this can go on. The government's actions have temporarily stabilised, not cured, the economy's ills. Companies are using the respite to accelerate restructuring, which will in the short term lead to lower capital spending, higher unemployment and further downward pressure on consumer spending. The government cannot forever play the spender of last resort in Japan's economic crisis.

Philips

Philips is changing shape fast under Cor Boosma, its president. It has sold more than 40 businesses since the beginning of 1996. And the raft of exceptional charges - some estimates they average €350m a year over the past decade - bears witness to the ongoing overhaul of the company.

Amid all this change, investors should focus on two issues. First, semiconductors. This business has escaped the ravages of Philips' peers because of its relatively low exposure to memory chips. But because of this, Philips may benefit less than its rivals from the expected upswing in the semiconductor market. Still, Philips' \$77m offer for VLSI Technology looks promising. If the bid succeeds, VLSI



would extend Philips' reach into new technologies, such as "system-on-a-chip", used in mobile phones. Even if it has to raise the offer a touch from the current 14 times VLSI's sales, the price looks worth paying.

Second, Philips has to explain how it will turn around its loss-making mobile phones business. It would help its case if it gave the market dates and targets for this. The worry is that Philips has fallen too far behind in a market where Ericsson and Nokia are romping ahead. Longer term, Philips may come under pressure to defend a structure that still includes lighting and medical systems. But with the company's balance sheet groaning with cash, this is one debate it can postpone.

Citigroup

In the year since the merger of Travel and Citicorp was announced, the verdict on Citigroup has veered from euphoria to depression. The current view, more rational, appears to be moderately optimistic. The extravagant promises of cross-selling benefits on the retail side have yet to be delivered. But Citi's flourishing credit card business - and cost-cutting - have furnished welcome, if more prosaic, gains.

Encouragingly, Citigroup is laying to rest early doubts about the integration of its corporate and investment banking businesses. Citi's corporate side and Salomon Smith Barney seem to be melding well. Citi's staid but more efficient management approach is paying dividends.

And there is even a sniff of revenue synergies. For instance, Citi's dominant position in foreign exchange and derivatives is helping Salomon's bond business close in on Merrill Lynch's top slot in global underwriting. Aided by favourable markets and stricter cost controls at Salomon's European operation, the result should be much improved first quarter earnings.

The weak spot is mergers and acquisitions. If the group does not find a way of allowing a vibrant M&A practice to thrive within the inevitable bureaucracy of such a behemoth, it will lose follow-on business in the growing cross-border M&A market. Still, with the fruits of the integration just beginning to show, Citi's stock looks good value.

Commodities

Could rising commodity prices re-ignite inflation? US oil prices have jumped 40 per cent from their February low, wheat is 18 per cent higher and soybeans up 9 per cent. This has raised fears that an increase in commodity prices could rapidly feed through into higher consumer prices. Those worries look overdone. Most commodities remain depressed. Copper and cotton have dropped again after recent mini-rallies. Even oil's surge is from such a low base that its price remains below levels of a year ago. The benchmark Bridge/CRB futures index has gained just 6 per cent since hitting a 28-year low in February.

Even a 6 per cent gain would have been significant in the past. A rule of thumb that worked well between 1950 and 1990 was that a 10 per cent gain in commodity prices led to a 1 per cent increase in inflation. But that link has failed to hold this decade. Developed economies are now overwhelmingly service-based. Raw materials account for less than 10 per cent of producer prices, as measured by inflation indices such as the US PPI.

That does not mean investors can afford to ignore commodity prices altogether. They do increase industry's costs. And central banks use them as leading indicators, so they can influence monetary policy. But while economic growth outside the US remains so sluggish, a sustained rise in commodity prices and resultant inflation seem unlikely.

Japanese companies show a slight rise in confidence

By Paul Abrahams in Tokyo

Japanese business sentiment improved for the first time in nearly two years, according to the Bank of Japan's latest quarterly "Tankan" survey published yesterday.

However, the recovery was marginal, underlining the severity of the country's longest recession on record.

The survey showed that for every 100 companies that were optimistic, 147 were pessimistic. That compared with 149 in January, which was the gloomiest report in nearly five years.

The results were in line with expectations following the ¥40.000bn (\$333bn) worth of public spending packages last fiscal year. Some analysts claimed the data, collected from nearly 10,000 companies, indicated the economy was bottoming out.

The benchmark Nikkei 225 index initially jumped 2 per cent on relief that the data were not worse, but then fell back. It ended the day up

just 0.3 per cent at 16,334.

The authorities played down the slight improvement. Shosaku Murayama, director general of the Bank of Japan and statistics bureau of the Bank of Japan, warned that the central bank was unable to say whether the report pointed to any recovery.

A combination of falling capital spending, weakening consumer demand and falling exports have undermined the government's efforts to bolster the economy, which has contracted for five consecutive quarters.

Disappointing economic data for February published in the past week have prompted some economists to cut their forecasts for Japan's economic growth in the current fiscal year to March 31, 2000.

Barclays Capital expects a contraction of 1.9 per cent against a 0.9 per cent fall previously. Dai-ichi Kangyo Research Institute, research arm of the Japanese bank, yesterday said it expected gross domestic product to fall 0.7 per cent. The government has promised a rise of 0.5 per cent.

Taichi Sakaiya, minister at the Economic Planning Agency, warned over the weekend that the unemployment rate could climb from its current 4.6 per cent to as high as 5.1 per cent in the coming month. He said the jobless rate had a tendency to rise as an economy bottoms out.

Rising unemployment, cuts in overtime and bonuses continue to feed through into shaky private consumption. Data released yesterday showed household spending in February fell 3.8 per cent year on year - disappointing given a 1.4 per cent rise in January. The propensity to spend, measured as a proportion of household income, fell from 70.9 per cent to 67.8 per cent, the lowest since 1970 when records began.

The "Tankan" showed that companies remained cautious about sales growth and were likely to cut capital spending and hiring, warned Mr Murayama. The companies surveyed expect to cut capital investment by 13 per cent this fiscal year.

Editorial Comment, Page 13
Lex, Page 14

Chinese PM is ready for some flak on fence-mending US visit

By James Kyng in Beijing

Zhu Rongji, the Chinese premier, travels to the US today prepared to answer a barrage of criticism on a talk show and display his populist style with a visit to a farm and a Denver ballgame.

But China is offering more than public relations stunts to repair badly damaged relations with the US. Official Chinese media yesterday announced that four foreign insurance companies, including the Chubb Group of Insurance Companies and the John Hancock Mutual Life Insurance Company of the US, would be granted licences to operate in China.

Prudential Corporation of the UK and Sun Life Assurance company of Canada, Mr Zhu's next stop after the US, were also awarded licences.

The approval of foreign insurers appeared to be an attempt to address criticisms that China's market remains too restrictive.

About 10 foreign insurance companies operate in China, but are limited to the cities of Shanghai

and Guangzhou and all but two are restricted to a 50 per cent stake in joint ventures. China is, however, considering further relaxing controls on foreign insurers' access to its market as part of intense negotiations to enter the World Trade Organisation.

Long Yountu, the top Chinese WTO negotiator, was in Washington yesterday pursuing an 11th-hour attempt to thrash out some sort of a deal in time for Mr Zhu's visit.

If the US and China are able to announce a WTO deal, or even a framework accord, it could reverse a tide of US attacks on Beijing.

In recent weeks, hostility has been fuelled by charges that Beijing stole US nuclear secrets and by hefty sanctions on Chinese dissidents, representation in Tibet and Chinese opposition to NATO's air strikes on Yugoslavia.

One potential embarrassment for Mr Zhu was postponed yesterday when Wang Xizhe, the exiled Chinese dissident, was stranded in Thailand after he failed in an attempt to return home to pay his respects to his dead father.

Letters, Page 12

CONTENTS

News	Features
European News	13
Kenya Crisis	2,23
Loebster	4
International News	8
UK News	8
Weather	14

Crossword Puzzle	22
Companies & Finance	
International	15-19
UK	20
Markets	
Short term interest rates	23
Currencies	23
Money markets	23
FTSEPA-A World Indices	23
Europe	21
World stock market reports	22
World stock market listings	23
London share service	24,25
Dividends announced, UK	20
Managed funds service	20-22
Commodities	22

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Surveyor: details of forthcoming editorial services.

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Tibetan Youth Congress members in New Delhi demand the release of the eight-year-old Panchen Lama, the second in the hierarchy of Tibetan religious leaders, who is being held by the Chinese. Picture: AP

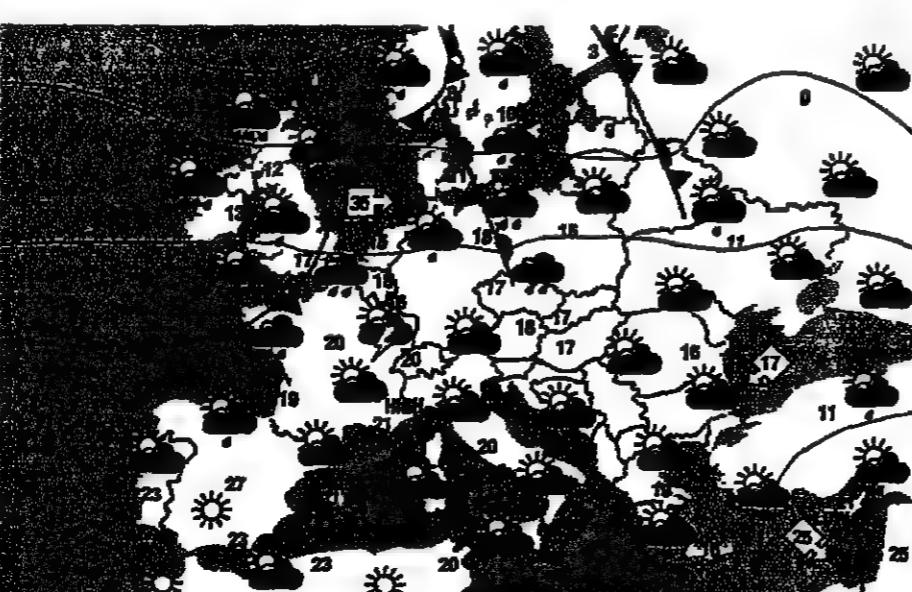
FT WEATHER GUIDE

Europe today

There will be showers over Scandinavia, mostly near the west coast. The Low Countries will have rain at times, but over Germany the rain will turn increasingly showery. From Switzerland to Austria it will be dry with variable cloud and some sunshine. Northern France will be wet and overcast, but, away from the north coast, the rain will give way to sunshine and showers. South of the Avergne, it should be dry and mainly sunny. Some showers are likely in northern Spain and Cyprus.

Five-day forecast

Northern Europe will stay unsettled with showers or steady rain. Rain over northern France will move southwards into northern Italy, developing into a large showery area. Over the next few days, this will drift south to Sicily and eastwards towards Greece.



TODAY'S TEMPERATURES

	Maximum	Barcelona	Sun	20	Faro	Sun	24	Madrid	Sun	27	Reykjavik	Shower	7
Cairo	25	Bangkok	Sun	20	Porto	Cloudy	19	Malaga	Sun	28	Rome	Sun	20
Calcutta	25	Bogota	Sun	20	Prague	Fri	18	Barcelona	Sun	28	Seoul	Fri	15
Copenhagen	24	Buenos Aires	Sun	22	Gibraltar	Sun	23	Brussels	Sun	28	S. Africa	Shower	13
Edinburgh	22	Buenos Aires	Sun	22	Hamburg	Rain	19	Edinburgh	Sun	28	Tokyo	Fri	15
Glasgow	22	Buenos Aires	Sun	22	Helsinki	Rain	19	London	Sun	28	Toronto	Sun	20
London	22	Buenos Aires	Sun	22	Hong Kong	Cloudy	22	Madrid	Sun	28	Tunis	Sun	23
Madrid	22	Buenos Aires	Sun	22	Madrid	Sun	22	Malaga	Sun	28	Vienna	Sun	20
Paris	22	Buenos Aires	Sun	22	Malta	Sun	22	Paris	Sun	28	Vienna	Sun	20
Stockholm	22	Buenos Aires	Sun	22	Madrid	Sun	22	Paris	Sun	28	Vienna	Sun	20

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FINANCIAL TIMES

COMPANIES & MARKETS

TUESDAY APRIL 6 1999

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INSIDE

SAS looks for sharp climb

Scandinavian Airlines System is a carrier in transit. The three-nation Nordic airline is midway through a physical and financial overhaul. From a distance it looks superficial. But Jan Stenberg, SAS's chief executive, says under the facelift is deeper surgery. "It may look like fine tuning . . . but five years from now SAS will be quite a different airline." Page 17

Mergers drag banks from abyss

European bank shares are back from the abyss they fell into last year. The recent mergers and acquisitions frenzy – although not the sole factor – has helped pull them out of their misery. But there are doubts about the sustainability of the momentum. Bank stocks rose by 10.8 per cent in the first quarter, outperforming the FTSE Eurotop 300 Index by 47 per cent. Page 32

Japan's rice hagglers are reborn
Future trading was born three centuries ago at a rice market in Osaka, as merchants haggled over the price of rice. Despite this, commodity trading has never inspired Japanese investors. But Japan is trying to bolster commodity-related activities as part of the deregulation of investment trusts and the past 12 months have seen sales of commodity funds surge. Page 22

Bombay falls on political turmoil
An attack of political jitters sent Bombay stocks steadily lower, sliding 4.5 per cent off the BSE 300 index which closed down 165.9 at 3,519.39. Fears that in-fighting in the governing coalition could delay implementation of the budget sparked a wave of selling. Page 32

Improving sentiment no help for yen
The US dollar continued to strengthen against the Japanese yen despite a more up-beat message from the latest Japanese business survey. The *Tankan* index showed the first rise in business sentiment for two years. Page 22

Corporate Chile takes Yankee bond
After nearly 10 months with barely a blip of issuance, Chilean companies are returning to the Yankee bond market with up to \$2bn (£1.85bn) of deals in the pipeline. Emboldened by the government's proposed \$500m benchmark issue and encouraged by narrowing yield spreads, corporate leaders are working with US banks on marketing new debt. Page 18

Australia shrugs off commodity cuts
The Australian dollar is unperturbed by the reduction in the contract prices of coal and iron ore and the accompanying fall in Australian commodity price indices. The falls had already been discounted by currency traders. Page 22

COMPANIES IN THIS ISSUE

ABN Amro	18	ISU
Ahold	18	ING
Airbus Industrie	17	Interbrew
Ameritech	18	Kelton Prima Cosei
Assoc. First Capital	18	Labatt
Astra International	18	Litsit
BNP	18	Lucent
BP Amoco	18	Makro
Bell Atlantic	18	Mitsubishi
Big C Supercenter	18	Nissan Motor
Boeing	17	Nomura Securities
British Biotech	18	Okuma
CP Group	18	Paribas
Cablelink	17	Renault
Casino	18	Rio Tinto
Central Group	18	SAB
Citigroup	18, 19	Seawaves Holding
Codetec	18	Société Générale
Dai-Ichi Kangyo Bank	15	Suntomo
Enron Corp	18	Sun Brewing
G. Pac. Savings Bank	18	T. Battibba Built A.
GTE	18	Tambang Timah
Gajah Tunggal	18	Telkomunikasi, Polkia
Gap	18	Tesco
Goldman Sachs	18	UPC
Grupo Triplex	18	US Airways
Hentschleger	18	Yuchengco Group

CROSSWORD, Page 22

MARKET STATISTICS

All asset reports due	30, 31	Foreign exchange	23
Commodities prices	22	London share service	30, 31
Dividends announced, UK	20	Managed funds service	28-29
EMI capacity rates	22	Money markets	23
Euro prices	21	Short-term int rates	22
FT/SUP-A World Indices	20	Stock markets at a glance	31
	20	World stock markets	23

Paribas and SG dissent may emerge

By Sami Iskander in Paris

Banks' boards vote today on BNP's hostile bid as splits begin to appear

merging France's largest listed bank.

BNP's unexpected attack on

March 9 was a threat to a friendly merger between SG and Paribas agreed a month earlier. In the days after the hostile move, the boards of SG and Paribas rejected BNP's

twin offers almost unanimously. Only Axa, the insurance company, which is Paribas' largest single shareholder and is represented on the boards of the three antagonists, supported BNP's initial

offer. Dissenters may become more vocal now that BNP's bids have cleared all regulatory hurdles.

In recent weeks, a number of bankers have come out in favour of BNP's proposal. The market has also reacted more favourably to BNP's move than to the initial SG-Paribas tie-up. But in the past week, SG shares rose above the parity level offered by BNP, reflecting expectations that the targets' strong opposition would lead

BNP to improve the terms of

its offer. BNP is offering to exchange 11 of its shares for

eight Paribas, and 15 BNP shares for seven SG. SG is offering five of its shares for

eight Paribas.

Today's meetings follow last

week's decision by the credit institutions committee, a regulator representing the treasury and the central bank to allow

BNP to proceed with its offers.

The planned three-way merger is also implicitly supported by the authorities, which see it as

a protection for French banks

from potential foreign predators. The plan is supported by a number of analysts, who believe that combining the branch networks of two commercial banks, such as SG and BNP, offers greater synergies than a combination with a wholesale bank, such as Paribas.

Michel Pébereau, chairman of BNP, has said he is ready to negotiate. But Daniel Bontin, head of SG, and André Lévy-Lang, Paribas chairman, have consistently refused to negotiate with BNP.

Today's meetings will be closely watched by shareholders. It is difficult to compare the value of the offers, which involve share swaps and have

no cash element.

Japan banks sold \$25bn of bad loans

By Gillian Tett in Tokyo

Japan's nine biggest commercial banks sold a record ¥3,000bn (£26bn) worth of bad loans in the year to March 31, as part of their restructuring.

The sales, which are three times those in fiscal 1997, include ¥800bn of sales by Bank of Tokyo Mitsubishi and ¥460bn of sales by Dai-Ichi Kangyo Bank.

These are a small fraction of the bad loans which have dogged the Japanese banking sector in recent years. In fiscal 1998 alone, the biggest banks are believed to have made loan loss provisions for around ¥10,000bn.

But the successful sales trend offers a hint that Japan is starting to tackle its long-running financial problems.

Brian Waterhouse, analyst at HSBC Securities, said: "This is good news – it's the right direction."

Although details of the loan sales remain secret, Japanese bank officials estimate about a third of them have involved foreign investors.

In particular, US investment banks such as Goldman Sachs and Morgan Stanley and opportunity funds such as Cerberus Capital Management and LoneStar are now scouring Japan for cheap investment opportunities.

Some Japanese newspapers have recently suggested the volume of foreign purchases of distressed assets could have

risen to ¥8,000bn in recent years. Aside from commercial banks, other companies, financial and otherwise, have recently been selling bad loans, real estate and other assets.

It remains unclear whether the commercial banks' sales will continue at the same pace, because the real estate market remains extremely weak.

Although precise price data are unavailable, industry analysts estimate the average sale price has dropped 20 per cent below value during the last year. A spokesman for BTM said: "We expect more sales this year, but it depends on the condition of the market."

The government is now pressuring banks to remove their bad loans to boost Japan's ailing economy and real estate market.

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NOTICE OF ANNUAL GENERAL MEETING

The Shareholders of Persstorp AB (publ) are hereby invited to attend the Annual General Meeting to be held on Saturday, 24th April, 1999 at 10:00 a.m. (Swedish time) at Persgården, Persstorp AB's employee centre in Persstorp, Sweden.

Right to participate. Notification
In order to take part in the Annual General Meeting, Shareholders must be registered in the Shareholders' Register maintained by the Swedish Securities Register Centre (Värdepapperscentralen VPC AB) on Wednesday, 14th April, 1999.

A Shareholder may attend and vote at the Meeting in person or by proxy. However, in accordance with Swedish practice the Company does not send forms of proxy to its Shareholders. Shareholders wishing to vote by proxy should submit their own forms of proxy to the Company.

Notification of intended participation at the Annual General Meeting must be given to Persstorp AB no later than Friday, 20th April, 1999 at 3:00 p.m. (Swedish time)

by telephone, by calling (00) 46 435-378 50 (direct line); or

by mail, addressed to Persstorp AB, SE-284 80 Persstorp, Sweden.

When notifying the Company the Shareholder should state name, personal code number or organisation registration number, address and telephone number.

Shareholders who have placed their shares in trust must temporarily re-register the shares in their own names to allow them to participate in the Meeting. A Shareholder must inform the trustee thereof in good time before Wednesday, 14th April, 1999, at which date such re-registration must have been executed.

The Company will confirm receipt of notice of participation by sending an admission card to be shown at the Meeting. This confirmation will also include a detailed description of the most suitable route to Persgården.

Matters at the Meeting

Proposal for agenda

- Opening of the Meeting
- Election of Chairman to preside at the Meeting
- Preparation and approval of a voting list
- Approval of the agenda
- Election of two persons to approve the minutes
- Examination of whether the Meeting has been properly convened
- Managing Director's report
- Presentation of the Annual Report, the Auditors' Report on the Parent Company, the Consolidated Accounts and the Auditors' Report on the Group
- Consideration of resolutions in respect of the following:
 - the adoption of the Parent Company Income Statement, the Parent Company Balance Sheet, the Consolidated Income Statement and the Consolidated Balance Sheet
 - the appropriation of the Company's profit according to the adopted Balance Sheet
 - Record Dates, in case the Meeting resolves on dividends, and
 - the Directors' and the Managing Director's discharge from liability
- Determination of the number of Directors and deputy members of the Board and Auditors
- Determination of the fees for the Board of Directors and the Auditors
- Election of the Board of Directors
- Election of the Auditors and term of office for them
- The Board of Directors' proposed amendments to the Articles of Association
- Closing of the Meeting

Dividends and Record Dates (Item 9(b) and (c) of the agenda)

The Board of Directors proposes:

- a dividend of SEK 4 per share and that the Record Date for the dividend be Wednesday, 28th April, 1999. Should this be approved, it is anticipated that the dividend will be distributed by the Swedish Securities Register Centre on Wednesday, 5th May, 1999; and
- a dividend of all the shares of the wholly-owned subsidiary Persstorp Life Science AB (under proposed change of name to Persstorp Science AB) in proportion to the number of shares in Persstorp AB held by the Shareholders, implying that the Shareholders of Persstorp AB, irrespective of series of shares, will receive one and the same series of shares in Persstorp Life Science AB. As Record Date for the dividend, the 15th October, 1999 is proposed. The ones then having the right to dividend will receive a notice from the Swedish Securities Register Centre showing the holding of shares in Persstorp Life Science AB.

Election of the Board of Directors and the Auditors (Items 10, 12 and 13 of the agenda)

The nomination committee has informed the Company that it intends to propose that the General Meeting elects eight Directors without deputies and re-elects as members of the Board Gunnar Brock, Åke Fredriksson, Christer Gardet, Finn Johnson, Karl Lennart Wendt and Wilhelm Wendt and elects as new members of the Board Fredrik Arp, CEO of Trelleborg AB, and Urban Jansson, Chairman of Carl Essele, Pfafst, Intrum Justitia Group and other companies. The present Chairman of the Board Gösta Wiktor has declared that he does not wish to be re-elected. The nomination committee has recommended that the Board of Directors elects Urban Jansson as new Chairman of the Board.

The nomination committee has further informed the Company that it intends to propose that the General Meeting re-elects as Auditor Sig Nilsson and elects as new Auditor Anders Schermer and re-elects as deputy Auditor Jan Borgen and elects as new deputy Auditor Jan Bergström, all of them authorized public accountants, Ernst & Young, and that all of them are elected for a term of office of one year.

The nomination committee, which has consisted of the Chairman of the Board Gösta Wiktor and the appointed representatives of the major Shareholders Carl Henrik Wendt, Sven Hagström and Thomas Hyltvorsen, has secured the support for the proposals of Shareholders representing more than 50% of votes as well as capital.

Remunerations for the Board of Directors and the Auditors (Item 11 of the agenda)

The nomination committee proposes that a remuneration of totally SEK 1,100,000 shall be paid to the Directors of the Board and that the Auditors shall be indemnified according to invoice for hours worked.

The Board of Directors' proposed amendments to the Articles of Association (Item 14 of the agenda)

The Board of Directors proposes that the Annual General Meeting, due to amendments of the Swedish Companies Act which have become effective on 1st January, 1999 and an effected review of the provisions of the Articles of Association, resolves that the Articles of Association be amended, implying that:

- the Board of Directors of the Company shall have its seat in the municipality of Persstorp, County of Södermanland (§ 3);
- not more than two deputy Directors may be elected (§ 7);
- the provision regarding the terms of office for the Auditors is deleted and that the General Meeting shall appoint two Auditors and the same number of deputies for them (§ 8);
- the General Meeting shall be opened by the Chairman of the Board or by a person appointed by the Board and that in the agenda of matters to be dealt with at the Annual General Meeting an item is added regarding approval of the agenda and that, as regards determination of the Auditors' fees and appointment of the Auditors, "if applicable" is added (§ 10);
- a notice convening an Annual General Meeting and a notice convening an Extraordinary General Meeting at which a question regarding amendment of the Articles of Association will be dealt with shall be issued at the earliest six weeks and at the latest four weeks prior to the Meeting; that a notice convening another Extraordinary General Meeting shall be issued at the earliest six weeks and at the latest two weeks prior to the Meeting; and that a notice convening a General Meeting shall be advertised in the Swedish Official Gazette and in one local newspaper circulated within the locality where the Board of Directors of the Company has its seat and in Svenska Dagbladet or another national newspaper (§ 11);
- the date stated in the notice as the latest date for notification of intended participation in the General Meeting must not fall earlier than the fifth weekday before the Meeting (§ 11);
- a shareholder is allowed to bring one or two assistants to the General Meeting, but only if the shareholder gives notice to the Company of the number of assistants no later than the date stated in the notice (§ 11).

Documents

The complete proposal of the Board of Directors regarding the amendments of the Articles of Association will be made available for inspection by the Shareholders at the head office of Persstorp AB in Persstorp and at the offices of Enefida Securities, Skandinaviska Enskilda Banken at 2 Cannon Street, London EC4M 6DX from Friday, 9th April, 1999. A copy of the document will also be sent upon request to Shareholders stating their postal address and will also be available at the Meeting.

A separate information brochure regarding the dividend of all the shares of Persstorp Life Science AB will be distributed to the Shareholders of Persstorp AB in due time before the General Meeting. The information brochure can also be ordered on telephone number (00) 46 435-383 87.

Persstorp, April 1999

The Board of Persstorp AB

Notice of a Meeting of Holders of 9 per cent. Convertible Debentures, Series 1, due 31 March 2003

Benz Energy Ltd.

Notice is hereby given that a meeting of holders of the 9 per cent. Convertible Debentures, Series 1 of Benz Energy Ltd., due 31 March 2003 will be held at Zürichsee zur-Wiese, Munsterhof 8, 8000 Zürich, Switzerland, on 20 April 1999 at 1:00 pm (Swiss time) to consider, and if thought fit to pass an Extraordinary Resolution to amend the terms of the Debentures due 31 March 1999 and made between Benz Energy Ltd. ("Benz") and Montreal Trust Company of Canada ("Montreal Trust") which constitutes the terms and conditions of certain debentures issued and to be issued by Benz; and (2) to amend the terms and conditions of the Debentures due 31 March 2003. The proposed amendments will (i) reduce the Tiered Assets to Long-Term Debt covenant from 140 per cent. to 100 per cent. for the years ending 31 December 1998 and 1999; (ii) remove restrictions on interest rate, which will be set at 5.31% per annum for the period 6 April 1999 to 4 October 1999, interest payable on 4 October 1999, will amount to US\$26.70 per US\$1,000 note.

Global Agency and Trust Services, Cibc, N.Y., London
6 April 1999
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COMPANIES & FINANCE: INTERNATIONAL

BIG BANG FINANCIAL SECTOR PREPARES FOR LIBERALISATION

SocGen set for Japan pensions joint venture

By Keiko Nakamasu and Gillian Tett in Tokyo

Société Générale, the French bank, said yesterday it would participate in the joint venture between Nomura Securities, Japan's largest securities house, and Industrial Bank of Japan in the US-style 401k pensions market.

Goldman Sachs, the US investment bank, confirmed it had been approached by IBJ and Nomura but said no firm decision had been taken about whether to take part.

The announcements come amid a flurry of activity in the financial sector ahead of the liberalisation of Japan's pensions market expected in 2000 as part of Big Bang, the rolling programme of deregulation.

While details of the legislation have yet to be decided, many observers believe the crisis facing the country's current system has made the introduction of a 401k type portable private pensions system extremely attractive for the authorities.

US 401k schemes are based on a defined system of contributions which are managed by an investment group. Japan has traditionally used defined benefit

pensions, in which benefit levels are guaranteed by the government or company.

But defined benefits are looking increasingly unsustainable, prompting exploration of whether a 401k system could be used in Japan.

Three big groups have emerged in the race to form pensions alliances. Nomura and IBJ form the core of a joint venture called Japan Investor Solution and Technology, which will principally provide record-keeping systems for 401k pension plans.

They have been joined by four members of the Mitsui keiretsu, or business group, including Sakura Bank and Mitsui Life, Fuji Bank and Yasuda Life of the Fuyo business group will also be taking part. Sanwa Bank, Toyo Trust and Banking and Daido Mutual, which yesterday announced it would be setting up a 401k sales consulting and planning company in August, will also participate.

Goldman Sachs, the largest foreign mutual fund group in Japan, said it believed the 401k market could have potential in Japan, though its development could depend on the course of future legislation.

This is something under serious consideration but there are numerous tax, legal and practical issues to be addressed.

Meanwhile, the Mitsubishi and Sumitomo keiretsu, led by Bank of Tokyo-Mitsubishi and Sumitomo Bank have also joined forces to create another pensions alliance.

They will be joined by fellow keiretsu members such as Tokio Fire and Marine, the country's largest non-life insurance company, Meiji Life and Sumitomo Life, Daiwa Securities, which has recently formed a securities alliance with Sumitomo Bank, will also join the alliance.

Nippon Life, the world's largest life insurer, also recently announced that it would set up a joint venture with IBM Japan and Hitachi to develop computer administration systems for 401k-type pensions.

It will be joined by a host of big names such as NTT, Japan's largest telecommunications company; Fujitsu, the leading computer maker; CSK, the largest independent information services company; and NTT Data, the biggest domestic system integrator, in developing the new systems.

NEWS DIGEST

INDONESIA

Tambang Timah to branch out into coal and gold

Tambang Timah, the partially privatised Indonesian tin mining company, yesterday confirmed plans to buy into three other mining companies and an asphalt plant this year. The company said it would diversify into the profitable coal business by acquiring 30 per cent of Kalimantan Prima Coal, a mine owned by British Petroleum and Rio Tinto which is by contract obliged to divest a stake locally. Timah would also buy 69 per cent of Berau Coal, part of the Astra International conglomerate which is selling assets to raise cash. Timah will take over a gold mine from Gajah Tunggal, another cash-strapped group, as well as an asphalt plant now owned by a state company. The government is to sell at least 30 per cent of the company, leaving the state with at most 35 per cent, but the privatisation has been delayed to allow diversification to be completed. Investors have been wary of Timah because officials are still toying with merging Timah with a troubled state-owned coal mining company, Tambang Batubara Bukt. Asam. Sander Thoenes, Jakarta

PHILIPPINES

Great Pacific link for ABN Amro

ABN Amro, the Dutch banking group, has agreed to buy access to the Philippines by acquiring a controlling stake in the Manila-based Great Pacific Savings Bank from Alfonso Yuchengco, the Filipino-Chinese tycoon. Great Pacific was formerly known as BA Savings Bank, part of the Bank of America Group, but last June the US bank sold its 39 per cent share to the Yuchengco Group. ABN Amro is not disclosing how much it will pay for control of the thrift bank, which at the end of 1998 had total assets of 5.48bn pesos (\$141m) and loan assets of 4.56bn pesos. The Dutch bank, which holds a restricted offshore licence in the Philippines, said the acquisition would give it a foothold in the domestic banking market, expand its peso-denominated business and allow it to move into consumer banking. Andrew Balcer

THAILAND

Casino takes stake in retailer

Thai retailer Big C Supercenter said it would sell a significant stake to Casino, the French retail group. Big C, controlled by the Chiratival family which owns the Central Group's retailing and hotel empire, will issue 530m new shares, nearly tripling registered capital to Bt60bn (\$212m) from Bt2.7bn. With nearly 20 stores, Big C last posted an operating profit in 1995. The new shares will be sold to Casino and Thailand's Saowwanae Holding at Bt11.5 per share, a 9.5 per cent premium to the price of Big C shares when they last traded on March 26. The company said the amounts sold to the two new investors will be determined later but analysts believe the French company, perhaps using nominees, would end up as the largest shareholder. European retailers dominate the Thai hypermarket industry. Tesco of the UK has bought the Lotus chain from the giant CP Group, while Makro took control of Siam Makro from CP. Last year Ahold took control of Tops Supermarket from the Central Group. Ted Bardecke, Bangkok

RUSSIA

Interbrew in Sun Brewing link

Interbrew of Belgium has created a joint venture with Sun Brewing of Russia to control their combined brewing, marketing and soft drinks assets in Russia and the Ukraine. Under the terms of the deal, Interbrew, which owns brands including Leibatt of Canada, will invest \$40m in cash and hand over its controlling stakes in the Rosar brewery in Omsk and the Densia brewery in Chernigiv, Ukraine. It will also underwrite further non-voting shares that may be issued over the coming three years with first priority to existing shareholders in the new joint venture. Sun Interbrew, the name of the combined group, will be quoted on the Luxembourg stock exchange, with 34 per cent of the shares held by Interbrew and Sun Brewing, and the remainder by a range of other investors. It will have the exclusive licence for brewing Stella Artois in the region. Sun Brewing estimated the total investment by Interbrew in cash and assets at \$130m. Andrew Jack, Moscow

Enron set to take Grupo Tribasa stake

By Andrea Mandel-Campbell in Mexico City

Grupo Tribasa, the troubled Mexican construction company, is seeking relief from a severe cash crunch through a strategic alliance with Enron Engineering and Construction Company that could see the subsidiary of US-owned energy giant, Enron Corp., taking an equity stake.

Enron will decide whether to exercise an option to invest during a special meeting of Tribasa shareholders scheduled for April 14, said Manuel Delgado, Tribasa vice-president of finances. Enron has committed itself to providing the cash-strapped Tribasa with a \$27m loan in contracts to upgrade two refineries owned by Mexico's state-owned oil company, Pemex.

Tribasa will more than double its debt to cover a \$26m debt which the builder defaulted on last week, say analysts. In March, Tribasa announced a restructuring to reduce corporate debt by \$55m and secure a capital injection of some \$290m in a bid to reduce debt of approximately 13m pesos (\$1.3bn).

"Tribasa is a \$1bn headache and if a company like Enron wants to do business and loan money it is a small step in the right direction, but we definitely want to see a lot more progress in the future," said Guillermo Serano, construction analyst. "This is the best news that has happened to us in the last five years," said Mr Delgado. "To be associated with Enron, a world energy leader, means we will be working with leading edge technology and they have the necessary resources to make financing available."

Advantage Speke Garston

David Lloyd Leisure has scored an ace by choosing Speke Garston for its new tennis and fitness centre.

Other top players hitting advantage points in the North West's fastest growing business centre, include:

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COMPANIES & FINANCE: INTERNATIONAL

UPC seeks further expansion in Europe

By Gordon Grubb in Amsterdam

United Pan-Europe Communications (UPC), the cable television provider, is seeking further acquisitions after buying businesses in three countries since its February flotation.

Mark Schneider, chairman, said UPC was looking at opportunities to increase its subscriber base in Europe, where it is already the largest private-sector cable TV company. Targets included Cablelink, the Irish market leader, which is for sale this month.

UPC, on which Microsoft of the US spent \$33m to take an initial 7 per cent stake, pleased its new shareholders with 1998 results on Thursday showing rapid growth in telephone and

internet services. The shares, offered at €29 or \$32.78, rose £1.20 each to €37.50, although UPC announced a widened net loss of F1 562.9m (€255m, \$276m), against F1 175.9m.

Earnings before interest, tax, depreciation and amortisation – a more closely watched indicator in the industry – grew 6.6 per cent to F1 11.4m.

Since the launch UPC has added to its portfolio in the Netherlands, France and Slovakia. It is also upgrading its networks to allow telephone and high-speed video and data traffic. Of its 2.2m cable subscribers, nearly half already have access to these services.

Mr Schneider said that within a year it could spin off part of Chello Broadband, said Mr Schneider.

Okuma sees sales upturn

By Peter Marsh

Okuma of Japan, one of the world's biggest machine tool companies, plans to boost its sales this year in Europe as a result of buoyant investment in the vehicle and general engineering industries.

It also expects a gradual upturn in Japan and the rest of south-east Asia.

Machine tools turn out a range of components for products from washing machines to aircraft, and are a bellwether of the state of confidence among manufacturers generally.

About \$40bn a year of machine tools are sold worldwide.

Okuma is among several

Japanese machine tool companies to have spread its sales more globally during the 1990s. In the year to the end of this month, it expects 65 per cent of sales of about Y120bn (€956m) to come from outside Japan, compared with 30 per cent in 1991.

Junro Kashiba, Okuma's chief executive, said he expected European sales – worth about Y30bn in the year just ending – to climb by 15 per cent during 1999-2000.

He said market conditions were particularly favourable in southern European countries such as Italy and Spain, while demand in Germany was likely to flatten out at a fairly high level.

Okuma is targeting pre-tax profits at about 6.5 per cent of turnover in 1999-2000, about the same as in 1998-99.

ING to advise on Polish sale

Poland's Treasury has chosen ING to advise on the sale of a strategic stake in Telekomunikacja Polska SA (TP SA), Poland's listed state-controlled telecommunications operator, in what will be the country's largest privatisation deal to date, writes Christopher Bobinski in Warsaw.

ING – which won the mandate against competition from J.P. Morgan, CSFB and Merrill Lynch – has been asked to place between 25 per cent and 35 per cent of the company with a strategic investor. A 15 per cent stake in TP SA was floated last year, with Schroders advising the government on the transaction.



Notice to the public

Sale of 1000 kV transformation plant

Subject

Enel S.p.a. - Transmission Division, Viale Regina Margherita 125, 00198 - Roma, hereby issues a call for tenders for the sale ("procedura aperta di alienazione") of the 1000 kV electric power transformation plant located at Sovereto (province of Livorno), Italy.

The plant is composed by:

- A) an air-insulated bay, 380 kV;
- B) three single-phase autotransformers, 400/1000 kV, 400 MVA each;
- C) a GIS-substation, 1000 kV;
- D) a link with three oil-filled cables (length: approximately 600 m each);
- E) an AIS-substation for cable-line connection, 1000 kV;
- F) an overhead line, 1000 kV (length: approximately 3000 m).

Formulation of the tender

The parties interested can submit their tenders for the entire plant or for one or more of the systems/machinery/apparatuses composing the plant referred to herein.

In order to guarantee its tender, each tenderer is required to deposit a bid bond equal to 5% of the amount offered.

Procedures for the submission of the tender

Detailed information on the plant, the procedures for the submission of tenders, the tendering conditions can be requested – also by fax or e-mail, in any case making reference to the code of this call for tenders (TAZV001) – at:

Enel

Divisione Trasmissione - Segreteria Funzione Acquisti Appalti

Viale Regina Margherita, 125

00198 Roma (Italy)

telephone +39 06 65094901 - fax +39 06 65094891

e-mail: maurizio_bizzarri.dt@mailbox.enel.it

The tenders must reach Enel in a sealed envelope no later than 12:00 noon on May 31, 1999.

Awarding criterion

The awardee will be determined on the basis of the highest profit level for Enel, which reserves also the right to not proceed, entirely or in part, with the awarding.

Each awardee will be requested to deposit a contract bond, to guarantee the contractual obligations taken on, equal to 10% of the amount offered.

The payment of the amount must, in any case, be made before the withdrawal which will be care of and paid for by the awardee itself.

Call for "procedura" has been published on the Official Journal of European Community (n. 54 March 18, 1999).

SAS looks for sharp climb after restructuring

Loss of business class revenues increases pressure on the airline, writes Tim Burt

Scandinavian Airlines System is a carrier in transit. The three-nation Nordic airline – 50 per cent owned by the governments of Sweden, Denmark and Norway – is mid-way through a physical and financial overhaul.

Apart from Cablelink, being sold by Telecom Italia and the broadcaster Rete, the company would like full control of the Amsterdam-based A2000. A half-share owned by MediaOne may be up for sale as a result of its merger agreed last month with the US cable operator.

"Comcast is very focused on what they are doing domestically, and MediaOne has some good assets in Europe. We are interested," said Mr Schneider.

As part of transformation, SAS has begun to replace its ageing fleet of short-haul McDonnell Douglas and Fokker aircraft with the latest 737s from Boeing of the US. That SKr12bn (€145m) renewal will be followed later this year by a SKr130m-SKr150m order for 12 long-haul jets.

Mr Stenberg said in an interview that Airbus, the European aircraft consortium, is favourite to win the order with a combination of its A330 and A340 aircraft. Up to now, SAS has relied on wide-bodied Boeing 767s for inter-continental services.

"We could start by taking A330s, going on to [larger] A340s. The aim is to increase capacity by almost 50 per cent with the same number of aircraft, with options for further acquisitions," he said.

That will involve a re-organisation of distribution and sales, while engine maintenance on new aircraft will be outsourced to Lufthansa of Germany. Mr Stenberg, who sits on Lufthansa's board, also wants to examine joint procurement and marketing with the German airline – one of SAS's partners in the nine-carrier Star alliance. "You will see activities in all fields to improve profitability. Overheads will be coming down – and fast," he says.

That all sounds encouraging for an airline with no tradition of generating shareholder value. But given the state of the European airline market and SAS's passenger profile, it may not be enough.

Mr Stenberg said in an interview that Airbus, the European aircraft consortium, is favourite to win the order with a combination of its A330 and A340 aircraft. Up to now, SAS has relied on wide-bodied Boeing 767s for inter-continental services.

"We could start by taking A330s, going on to [larger] A340s. The aim is to increase capacity by almost 50 per cent with the same number of aircraft, with options for further acquisitions," he said.

Further 8 per cent in February. That was partly compensated by a strong increase in passengers travelling at the back of the plane. But the overall yield was still down more than 3 per cent in the first quarter.

Mr Stenberg said SAS is suffering the same malaise as British Airways and KLM of the Netherlands. "We are seeing a recession in the airline industry, everyone is suffering."

But SAS is more exposed to business class demand than most of its rivals. For every lost business class passenger, SAS needs to fill two and a half economy seats to maintain its yield. The problem is that SAS is not seeing a large migration from the

front of the plane to the back.

Competition has also intensified on busy routes. Eight carriers fly the Stockholm-Copenhagen corridor, while low-cost airlines have begun flying from the UK to Scandinavia. That means that SAS has to take steps – such as promotional offers, incentive schemes and new routes – just to defend its market share. Even then, it looks unlikely that profits in 1999 will match the SKr1.25bn achieved on sales of SKr1.25bn last year.

Against that background, it is questionable whether new aircraft, new liveries and a lower cost base will bolster SAS profits over the medium term. Mr Stenberg thinks it will, and he is ready to consider more radical action.

The chief executive wants state shareholders to abandon the cumbersome shareholder structure in which each government holds 50 per cent of an SAS entity, quoted separately in Stockholm, Oslo and Copenhagen.

The idea is to move to a single, more liquid SAS share where the states' interests would be diluted, giving the airline greater access to capital markets.

"It is hard to speculate. But why not get it done by the AGM next year?" says Mr Stenberg. "The governments are not in control of SAS today. It's changing direction."

CREDIT LYONNAIS 1998 RESULTS

One billion and a few comments

Under the chairmanship of Mr. Jean Peyrelade, the Board of Directors of Crédit Lyonnais met on March 17, 1999 to examine the 1998 financial statements.

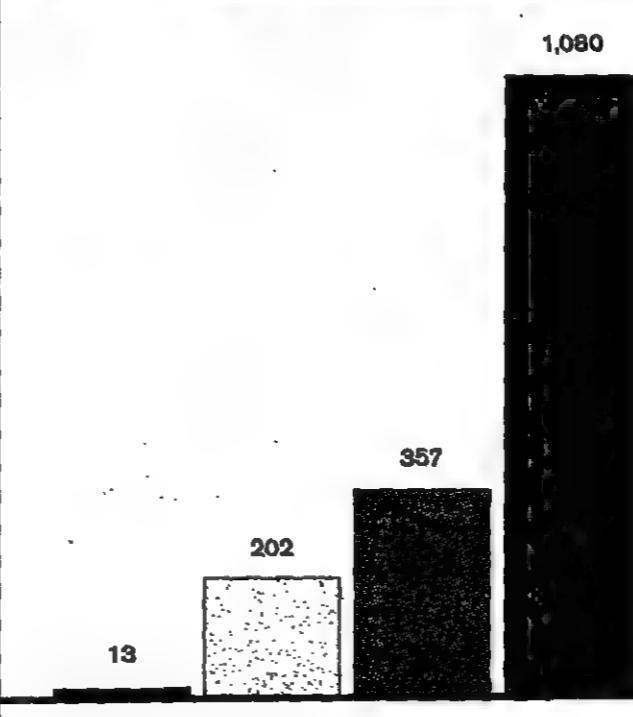
Net profit attributable to the Group totaled €165 million (FRF 1.08 billion), three times higher than the previous year's figure of €54 million (FRF 357 million). This performance is all the more remarkable in that it was achieved on a considerably reduced scope of consolidation and after a sharp rise in operating provisions for exposure in emerging countries. Mr. Peyrelade stressed that following the progress made in 1997, the 1998 results reflect a continued improvement in the bank's fundamentals. This crucial factor, coupled with strong customer loyalty, give Crédit Lyonnais confidence as it approaches privatization and the next important stage in its history.

Continued improvement in results

Total banking income was down 4.7% to € 6,686 million (FRF 43.9 billion) due to the disposal of subsidiaries in Europe (Belgium and Spain) and in the French overseas departments. On a constant consolidation basis total banking income rose by 0.6%. This very modest growth reflects the bank's policy of maintaining tight

control over its total weighted assets and of reducing its exposure to emerging countries. Fee income rose by

Group share in net profit: FRF 1,080 million



11.9% overall and accounted for 37.7% of total banking income, compared with 34.7% in 1997.

The cost-to-income ratio fell to 74.8% compared with 76.0% in 1997, and has fallen by a total of ten percentage points over the past three years.

Operating income before provisions amounted to € 1,686 million (FRF 11.0 billion), up 4.2% on a constant

Group share in net profit: FRF 1,080 million



consolidation basis. The year's provision charge rose by 7.6% on a constant consolidation basis.

The bank continued to maintain tight control over costs during 1998, with operating expenses down 0.6% on a constant consolidation basis.

(FRF 820 million), reflecting a steady improvement in the quality of the customer loan book over the past few years.

Consolidated net profit before minority interests amounted to € 350 million (FRF 2.3 billion). Net profit attributable to the Group totaled € 165 million (FRF 1.08 billion), a three-fold rise on the previous year.

The Group's capital adequacy ratio stood at 143% as of December 31, 1998, a significant improvement on the 1997 figure of 135%. The international solvency ratio amounted to 10.4% compared with 9.4% at end-1997, and the Tier one ratio to 5.4% compared with 4.8%.

Outlook

The decree authorizing the privatization of Crédit Lyonnais opens up new horizons for the bank. In the next few months, the process should begin with the establishment of a group of core shareholders to support the bank's development in certain business activities.

The new equity capital raised at that time would bring its Tier one ratio to a level comparable with other continental European banks. The State, which intends to retain 10% of the capital, is due to conclude the process at the end of the first half with an initial public offering of the remaining shares, market conditions permitting.

COMPANIES & FINANCE: INTERNATIONAL

TELECOMMUNICATIONS PURCHASE OF BUSINESS IN THREE STATES WILL CONFIRM GROUP AS BIGGEST US CELLULAR SERVICE PROVIDER

GTE to buy Ameritech unit for \$3.27bn

By Nikki Tait in Chicago

GTE, the US telecommunications group, is to buy the cellular business of Ameritech, the Midwest-based local carrier, in three states for \$3.27bn.

Assuming GTE's own plans to merge with Bell Atlantic go ahead, the deal will confirm GTE as the largest cellular service provider in the US, with over 20 per cent of the market and about 13m subscribers.

The sale is one of the results of Ameritech's

planned merger with Texas-based SBC Communications. The Justice Department recently gave a green light to the \$35bn deal, on condition that the two "Baby Bells" sell off wireless services in areas where they have dominant, overlapping operations.

The businesses being sold by Ameritech take in about 20 cellular properties overall and include those in Chicago, its home town, St Louis, and surrounding areas of Illinois, northwestern Indiana and Missouri.

At present, they have nearly 1.5m customers, while the population in these areas is put at about 11.4m, according to the carrier.

About 1,700 Ameritech employees will transfer to GTE as a result of the sale.

However, the cash deal is still contingent on the SBC-Ameritech merger being completed, and this has yet to win approval from the Federal Communications Commission.

By contrast, GTE officials said that the acquisition would not depend on a

go-ahead for the separate \$52bn GTE-Bell Atlantic merger, which is also undergoing regulatory scrutiny at present, and that they were hopeful of completing the purchase by mid-year.

GTE said that the Ameritech interests were "an exceptional fit" with its current portfolio and - coupled with the Bell Atlantic interests - would take it closer to becoming a national provider of cellular services.

"It strengthens our

national footprint," the buyer commented, pointing out that some of the properties were contiguous with existing GTE interests and that the increased presence would help to simplify roaming charges.

In the first full year of operation, GTE said it was looking for revenues of \$800m-\$850m from the acquired assets and a net income contribution of around \$30m to \$100m.

GTE is being joined in the purchase by Georgetown Partners, a minority-owned

investment firm in Bethesda, Maryland.

Georgetown will take a 7 per cent stake in the partnership, which will own the acquired assets.

The partnership will be financed about 25 per cent by equity and 75 per cent by debt.

Yesterday, Ameritech shares had risen \$1.50 to mid-day, as the SBC deal appeared to move one step closer, to \$61.50.

GTE edged lower, down by 50 cents to \$60.40 in midday trading.

NEWS DIGEST

REMUNERATION

Gap chief executive's pay doubles in year to \$7.3m

The pay of Millard Drexler, chief executive of Gap, more than doubled last year, to \$7.3m, as the retailer delivered another year of strong profit growth. The company's proxy form, filed yesterday, was also the latest to show how senior US executives have benefited from the sizeable share option awards granted to them in recent years.

Mr Drexler realised \$4.8m in gains from exercising share options in 1998. By December 31 his outstanding share options were valued at \$660m, of which \$28m were exercisable. Mr Drexler was paid a \$2m salary and a bonus of \$5.3m, including a \$2.9m payment under the company's executive long-term cash award performance plan. In 1997 he was paid \$3.5m in total.

Separately, US Airways disclosed that Stephen Wolf, its chairman, received a five-fold increase in his package of pay and stock awards from America's sixth-largest airline last year. His package increased from \$3.4m to \$17m in 1998, thanks to almost \$11m of restricted stock awards and a \$4m payment by the company to cover the tax liabilities on restricted stock. His salary rose from \$500,000 to \$580,000, and he again received a 100 per cent bonus.

Rakesh Gangwal, who succeeded Mr Wolf as president and chief executive last November, received a \$15.8m package, up from \$2.2m in 1997. This included almost \$11m worth of restricted stock awards, and \$2.9m for stock-related tax liabilities. Mr Gangwal's salary rose from \$429,000 to \$567,000, according to the proxy form filed by the company. Between the end of 1997 and December 31 1998, US Airways' stock price fell from \$62 to \$32. The shares traded at \$51 yesterday - a week after it said it would buy back \$500m worth of its shares.

Andrew Edgington-Johnson, New York

LITIGATION

Harnischfeger wins retrial

Harnischfeger Industries, the Milwaukee-based manufacturer of mining and paper-making equipment which has been buffeted by problems in south-east Asia and a slump in mining activity, said yesterday that it had won the right to a retrial in its expensive litigation with Pottatch Corporation, which makes and sells plywood, lumber and other wood products.

The lawsuit brought by the San Francisco-based company had alleged that certain large pulp line washers, which cost less than \$15m, had failed to work satisfactorily. The complaint was filed in late 1995, and an Idaho state district court jury eventually awarded Pottatch \$35m in damages, although Harnischfeger said that the total bill - with fees, costs and interests - worked out at around \$120m. Harnischfeger said the jury finding was "grossly excessive" and appealed against the verdict to the Idaho Supreme Court, winning the retrial request. Harnischfeger shares rose 50% to \$5. Nikki Tait, Chicago

TELECOMMUNICATIONS

Lucent in talks with Libit

Lucent Technologies of the US, the world's largest maker of telecommunications equipment, is in advanced talks to acquire Libit, an Israeli start-up company, for about \$260m, sources say. Libit declined to comment but a shareholder said the deal would soon be completed. "Lucent will buy 100 per cent of the company for \$260m in cash," the source said. Libit designs and manufactures chips used for high-speed cable television modems. The company has no revenues. If the Libit deal is completed, the value of cross-border mergers and acquisitions with Israeli high-tech companies this year will climb to \$1.35bn, compared to \$2.13bn in 1998. Libit is a private company founded in 1994 by a group of Israeli professors, who hold 50 per cent. Avi Machile, Jerusalem

Power-sharing problems fail to knock Citigroup off course

A year into the Citicorp/Travelers merger, there are no signs of either group's culture assuming dominance, writes John Authers

Exactly one year ago, John Reed of Citicorp and Sandy Weill of the Travelers Group stunned Wall Street by announcing that their companies were to merge.

The intervening year has brought more shocks, mostly from the corporate and investment banking side of the business, which endured more than its fair share of pain during the turbulence which followed the Russian financial crisis last August.

At the time the deal closed, the new company's market capitalisation was less than half the combined value of Citicorp and Travelers at the time the deal was announced.

Shortly after the Russian crisis, the company suffered a further jolt when Jamie Dimon, its president, whom many had assumed to be the most likely successor as chief executive, resigned abruptly.

Since then, the share price has recovered steadily, and is now almost back to its peak of last July.

Attention is also shifting away from investment banking to the consumer businesses, which made up more than half of both Travelers and Citicorp before the merger, and which raised profits by 30 per cent in the final quarter of last year while the rest of the company was suffering declines.

The consumer businesses are run jointly by William Campbell, the former chief executive of Philip Morris USA who was recruited by Mr Reed to build the "Citi" global brand, and by Robert Lipp, a long-term Travelers executive.

The two continue to work together, in one of several examples across Citicorp of the two predecessor companies retaining a significant influence. Many on Wall Street had expected the more aggressively entrepreneurial Travelers culture to be dominant by now, but there is power-sharing at the top of both the commercial and the consumer divisions.

This has disappointed some Wall Street analysts, who wanted a clearer sense of direction.

Michael Mayo, banking analyst at Credit Suisse First Boston, said: "We would have thought that one side would have been more in control by this point. The Noah's Ark label still

applies, and that's the most surprising aspect one year later."

Mr Campbell suggested that his basic mission of building "Citi" into a global brand was unchanged after the merger.

He said: "To say it hasn't changed in some ways would be naive. But the fundamental driver behind it hasn't changed. Basically we believe in the Citi brand in virtually all geographies and in most products."

Most of the changes so far

have concentrated on deriving maximum advantage from Citicorp's size, rather than from cross-selling.

The company has continued a squeeze on its expense base which started at Citicorp before the merger.

According to Mr Lipp: "We are in business all over the world and if you put banks or credit card companies together there are operating economies from scale. I would say we would continue to do that."

The company has also quietly exercised its muscle in the acquisitions market, in a series of "fill-in" deals.

Mr Lipp points to the acquisition of 128 consumer lending branches in the south of the US from Associates First Capital, a move which substantially increases Citicorp's US consumer lending operation, and its acquisition of Mellon Bank's credit card portfolio. Both deals have been announced in the past month.

Outside the US, it recently bought a consumer lending business in Chile.

Few cross-selling initiatives have been announced to date. Citibank branch staff in the US are being retrained to offer financial advice including sales of insurance and investment products.

The company is also looking at offering its second mortgage lending products to Citibank credit card customers who appear to be in need of a consolidating loan - thus avoiding losing business to rival home equity lenders, and averting credit losses at



- ① April 6 1998: Travellers Group and Citicorp announce \$1.5bn merger to create world's largest financial services company
- ② July 6: Salomon's domestic bond arbitrage unit is closed after suffering a \$100m reversal in the second quarter
- ③ Oct 6: On its first day as a merged company, Citicorp warns it expects third-quarter profits to fall to \$700m from a pre-form \$8.1bn in the year-ago period. It blames "unusual unprecedented instability" in world financial markets
- ④ Nov 1: Jamie Dimon resigns as president of Citicorp and co-chief executive of Salomon
- ⑤ Dec 16: Announces \$900m restructuring charge and says it will shed 10,000 staff - 10% of the workforce
- ⑥ Feb 10 1999: John Reed exits board of Visa, the world's largest credit card association

The credit card division.

Internationally, its "Citi-gold" package of services will be aimed at affluent customers.

The brand identity unveiled a year ago, combining the Citicorp name in the old Citicorp letterhead with the Travelers' red umbrella logo, has remained unchanged, despite some expectations to the contrary.

There are no plans to introduce any more radical change of corporate identity.

According to Mr Campbell, who built his career managing the Marlboro brand at Philip Morris, the points that stand out with the Citi brand are its "globality" and "innovativeness".

Mr Campbell's brand marketing background also comes out when he suggests

the Citicorp Center - the gleaming Manhattan skyscraper best known for the solar panels which cut a triangular wedge out of the top - stands up the brand.

If you look at this building, particularly from the other side of the river, you get a picture of what the brand is. It's a very modern and striking part of the world landscape."

Keppel FELS

Keppel FELS Limited
(incorporated in the Republic of Singapore)
(Formerly known as Far East Lavington Shipbuilding Limited)

US\$120,000,000 1.5 per cent. Unsecured Convertible Bonds due 2001

Notice of Bondholders' Meeting

NOTICE IS HEREBY GIVEN that a meeting ("Bondholders' Meeting") of the holders (the "Bondholders") of the US\$120,000,000 principal amount of 1.5 per cent. unsecured convertible bonds due 2001 issued by KEPPEL FELS LIMITED ("KFL Bonds"), constituted by the Trust Deed dated 2nd May 1996 made between the KEPPEL FELS LIMITED (the "Company") and BT Trustees (Hong Kong) Limited (the "Trustee") as trustee for the Bondholders, will be held by the Company at the New Conference Room, 325 Telok Blangah Road, Singapore 098831 on 30 April 1999 at 11.30 a.m. (Singapore time) for the purpose of considering and, if thought fit, passing (with or without amendments) the following Extraordinary Resolution:-

EXTRAORDINARY RESOLUTION

That this meeting of the Bondholders hereby, subject to the Scheme of Arrangement dated 30 March 1999 ("the Scheme"), a copy of which is appended to the Circular to Bondholders dated 30 March 1999 issued by the Company, (2) the shareholders of the Company, (3) Keppel Integrated Engineering Limited ("KIEL"), (4) the shareholders of KIEL and (5) Keppel FELS Energy & Infrastructure Ltd ("Newco") taking effect in accordance with the Act, approves the exchange of the KFL Bonds for the US\$120,000,000 principal amount of 1.5 per cent. unsecured convertible bonds due 2001 to be issued by Newco ("Newco Bonds"), such exchange to take effect on the date on which the Scheme takes effect or such later date as the Trustee and the Company may agree ("Effective Date") whereupon all the KFL Bonds will be cancelled in consideration for the issue of the Newco Bonds of an equivalent aggregate principal amount to the Bondholders as at the Effective Date; and authorises the Trustee to execute all documents, notices, forms, instruments, consents or agreements to give effect to this Extraordinary Resolution on such terms and conditions as the Trustee may in its absolute discretion decide (including the Trust Deed, the Paying Agency Agreement and the Conversion Agency Agreement in relation to the Newco Bonds in the form of the drafts produced to this Bondholder's Meeting and for the purposes of identification signed by the Chairman of such meeting with such amendments (if any) to them as the Trustee shall require) and to concur in and do all acts and things as the Trustee may consider necessary or expedient to give effect to this Extraordinary Resolution.

By Order of the Board

Chan Chee Hong
SECRETARY

Singapore, 30 March 1999

Note:-

- (1) In accordance with its normal practice, the Trustee expresses no opinion on the merits of the above proposal but has mentioned it to be stated that it has no objection to the Extraordinary Resolution being submitted to the Bondholders for their consideration.
- (2) Any Bondholder entitled to attend and vote at the Bondholders' Meeting is entitled to deposit any principal amount of KFL Bonds with Keppel Tait Lee Bank Limited (the "Paying Agent"), for the purpose of obtaining a Voting Certificate or appointing proxies (who need not be Bondholders) as described in the Circular to Bondholders dated 30 March 1999 issued by the Company. Any Bondholder may obtain a copy of the said Circular from the Paying Agent at 10 Hoe Chang Road #06-00, Keppel Towers, Singapore 089315 during normal office hours before the Bondholders' Meeting. The KFL Bonds to be deposited by a Bondholder for the above-mentioned purpose must be duly deposited at the office of the Paying Agent at 10 Hoe Chang Road #06-00, Keppel Towers, Singapore 089315 not later than 48 hours before the time appointed for the holding of the Bondholders' Meeting.

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EUROTUNNEL S.A.
Societe Anonyme with a share capital of
FRF 1,682,764,219
Registered Office:
140-144 boulevard Malesherbes, 75017 Paris
334 192 408 RCS Paris

NOTICES OF GENERAL MEETINGS
These notices are to holders of Units in bearer form and, for information only, to holders of bearer Warrants.

Notice is hereby given that the Combined General Meeting of Eurotunnel S.A. will be held at the Centre de Conference Etoile Saint-Honoré, 21-25 rue Balzac, 75008 Paris on 27 April 1999 at 9.30 am (local time) and in the likely event that a quorum is not obtained, the adjourned meeting will be held at la Maison de la Chimie, 28 bis rue Saint-Dominique, 75007 Paris on 6 May 1999 at 3 pm (local time).

The Annual General Meeting of Eurotunnel P.L.C. will be held on the 6 May, at the same place in Paris, at 3 pm (local time) or as soon as the Combined General Meeting of Eurotunnel S.A. shall have ended or have been adjourned, to consider and vote on the following agenda:

EUROTUNNEL P.L.C.
Ordinary Resolution N°:

1. To receive the Director's Report and the audited accounts for the year ended 31 December 1998.
2. To re-appoint Mr Roy Chapman as a Director.
3. To re-appoint Mr Chris Green as a Director.
4. To re-appoint Mr Philippe Lagayette as a Director.
5. To re-appoint Mr Robert Malpas as a Director.
6. To amend the maximum aggregate annual sum that may be paid in respect of fees to Directors.

Special Resolution N°:

7. To authorise the adoption of new share option schemes and of the Share Swap scheme, and the grant of options under these schemes.
8. To authorise the Directors to allot the relevant number of ordinary shares arising from the early redemption of Equity Notes under the terms of the Equity Noteholders' Agreement.

10. To authorise the Directors to allot up to a maximum of 250 million ordinary shares subject to statutory pre-emption rights.

11. To authorise the Directors to grant share options for the implementation of a Share Swap scheme for the benefit of executive Directors and employees of the UK companies within the Group.

13. To authorise the Directors to proceed with the early redemption of Equity Notes issued by France Manche 5 A

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CONTRACTS & TENDERS

STATE OWNERSHIP FUND
ADVERTISING RELEASE FOR
SALE OF SHARES BY DIRECT NEGOTIATION

The STATE OWNERSHIP FUND, a Romanian public institution based in 6 Stavropoleos Street, 3 sector, Bucharest, Direct Selling - Metallurgy, Chemistry Division is offering for sale by direct negotiation according to the Government Emergency Ordinance no. 58/1997 approved by Law no. 44/1996 and Government Decision no. 55/1998, modified and completed with Government Decision no. 361/1998, a stake of 69,999% respectively a number of 2,337,617 shares from the trading company LAMINORUL S.A., headquartered in BRAILA, 2-Industria Sarmat, Braila District, fiscal code: R 2266948, registration number at the Commercial Register Office: J 0942/1991 having:

- Main scope of activity: Manufacturing and trading of hot laminated profiles, reinforcing bars, dead-drawn wire and drawn bars, pins, chains, pitchforks, metallurgical repairs, housekeeping use objects, wood confactions and metallic ones.
- Share capital (according to the last registration at the Commercial Register in 30.05.1997): 83,494,675 thousand ROL.
- Turnover (1998): 239,396,082 thousand ROL.
- Loss (1998): 8,905,189 thousand ROL.
- Shareholders structure is as follows:

	No. of shares	%
State Ownership Fund	2,337,617	69,999%
Financial Investment Company Moldova	239,716	7.177%
Share owners through mass privatisation	199,909	5.985%
Manager	35	0.0010
P.A.S. Shareholders	243,826	7.304%
Public Offer Shareholders	318,325	9.531%
TOTAL	3,336,787	100.0000

The nominal value of each share is 25,000 ROL.

The selling offer price is of 37,767 ROL/share and the value for shares stake offered for sale is of 88,282,334,639 ROL.

The Company's PRESENTATION FILE can be obtained daily from Portfolio Offers Division, 6 Stavropoleos St., Tel. 04-01/303.63.35; 303.63.47, Fax: 04-01/315.59.37, ground floor, between 8.00 and 16.00 hrs., until one day before the deadline for offers submission, inclusively.

The selling price of the PRESENTATION FILE is 40,000,000 ROL and may be paid in account no. 251.100.980.900.224 opened with Romanian Bank for Development - Bucharest Branch (BRD-SMB). The PRESENTATION FILE is sold based on the following documents:

- The payment order for the PRESENTATION FILE
- Identity card or passport (for the case of natural Romanian/foreign persons).
- Power of attorney from the bidding trading company.

In order to participate in the negotiations it is compulsory to buy the PRESENTATION FILE. Participation guarantee of 882,923,346 ROL may be paid at Romanian Bank for Development - Bucharest Branch (BRD-SMB) in account no. 251.100.980.900.313.

For natural/legal foreign persons payment of PRESENTATION FILE and participation guarantee shall be made in the account for convertible foreign currency open with the Romanian Bank for Foreign Trade (BANCOREX) account no. 251.100.000.002.423,000.00 in USD, at exchange rate transmitted by NATIONAL ROMANIAN BANK on the date of the payments made.

In order to participate in the negotiations, bidder shall submit the documents stipulated in Government Decision no. 55/1998, article 27, stipulated in Section C of PRESENTATION FILE and THE BID, including the business plan, in sealed envelopes, at Portfolio Offers Division, to the deadline date of 14th May 1999, 10:00 hrs. local time. The opening of the bids will take place on the same day (14th May 1999) at 12:00 hrs local time in the presence of the bidders.

Natural/legal foreign persons may make the payment for the SALE-PURCHASE contract in convertible foreign currency at the exchange rate transmitted by NATIONAL ROMANIAN BANK on the date of signing of the Protocol for concluding the direct negotiation.

Bidders may instruct the bank where they hold their main account and which is corresponding with a Romanian bank, to release a bank guarantee letter valid for 180 days from bid submission date.

Other information regarding trading company may be obtained at tel: 040-01-314.57.85.

Additional information regarding S.O.F. offer may be obtained on INTERNET site at the address www.sof.ro.

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BUSINESSES FOR SALE



THE MINISTER OF STATE TREASURY OF THE POLISH REPUBLIC

HEREBY EXTENDS AN INVITATION TO NEGOTIATE

the acquisition of shares in a joint-stock company

"Elektrocieplownie Warszawskie" Spółka Akcyjna
(Warsaw Combined Heat and Power Plants Joint-Stock Company)
having its registered office in Warsaw, Poland

The Minister of State Treasury having the registered office in Warsaw, Krucza St. 36 / Wspólna St. 6, 00-522 Warsaw, acting on behalf of the State Treasury pursuant to Art. 33(1) of the act of 30th August, 1996 on commercialisation and privatisation of state-owned enterprises (Journal of Acts No. 118, item 561, as subsequently amended) hereby invites all interested Parties to negotiate the acquisition of not fewer than 2,063,000 ordinary registered shares per purchaser with the nominal value of PLN 10.00 each, representing not less than ten (10) percent of the share capital of a joint-stock company "Elektrocieplownie Warszawskie" Spółka Akcyjna having its registered office in Warsaw, Poland, Modliszka St. 15, 03-216 Warsaw, hereinafter referred to as "Elektrocieplownie Warszawskie" S.A. or "the Company".

Pursuant to Art. 36 of the act of 30th August, 1996 on commercialisation and privatisation of state-owned enterprises (Journal of Acts No. 118, item 561, as subsequently amended), the eligible employees have the right to acquire fifteen (15) percent of the Company's shares free of charge.

Pursuant to Resolution of the Council of Ministers No. 88 of 4th October, 1993 on the establishment of a reserve for re-privatisation purposes (M.P. No. 52, item 482, as subsequently amended), five (5) percent of the shares are retained by the State Treasury for re-privatisation purposes.

The business of "Elektrocieplownie Warszawskie" S.A. includes primarily the generation of heat and electricity to meet the needs of the national economy and the general public and the operation of the power engineering machinery and equipment owned.

Having informed "Polish Institute of Management" Sp. z o.o. (PIM) - the adviser to the Minister of State Treasury under the project of privatisation of "Elektrocieplownie Warszawskie" S.A. - of their intention to participate in the process, interested Parties shall receive the basic information on the Company and, following the presentation of current corporate documents and the execution by duly authorised representatives of the Potential Investor of a confidentiality clause, the Information Memorandum of "Elektrocieplownie Warszawskie" S.A. containing information on the legal, economic and financial position of the Company, process of offering shares as well as the structure of replies to the publicly announced invitation to negotiations.

Address: "Polish Institute of Management" Sp. z o.o. (PIM)

02-691 Warsaw, Obzorza St. 3, IX floor

Phone no. (48 22) 647 02 40; 843 66 51; Facsimile no. (48 22) 843 87 50

Persons responsible for registration of applicants: Mr. Marcin Trych and Ms. Elżbieta Naumienko.

In particular, the price of shares, development and restructuring programme proposed by the Potential Investor including inter alia a commitment to increase the Company capital, equity investment commitments, environmental commitments, obligation to protect the interest of the workforce and other stakeholders as well as the manner of securing these commitments shall constitute the object of the negotiations to be undertaken.

The deadline for submission of replies to the publicly announced invitation to negotiate the acquisition of a shareholding in "Elektrocieplownie Warszawskie" S.A. representing not less than ten (10) percent of the share capital per purchaser is 2.00 p.m. Warsaw time on May 14th, 1999. The replies of Potential Investors shall be prepared in the Polish language on the A4 paper. They shall be submitted in duplicate in sealed envelopes, to the office of the Ministry of State Treasury, Krucza St. 36 / Wspólna St. 6, 00-522 Warsaw, sixth floor, Departament Nadzoru i Prywatyzacji II, room no. 631. The envelope shall bear a notice saying: "Odpowiedź na publiczne zaproszenie do rozmów w sprawie zakupu pakietu akcji "Elektrocieplownie Warszawskie" S.A. Nie odkrywać" and information facilitating the identification of the Potential Investor.

The Minister of State Treasury reserves the right to request additional information from Potential Investors who have submitted their replies to the publicly announced invitation to negotiations.

By May 31st, 1999, the Minister of State Treasury shall inform individually by registered mail each of the Potential Investors who have submitted replies to the publicly announced invitation to negotiations on the outcome of the processing of replies to the public invitation to negotiations.

The Minister of State Treasury reserves the right to freely select the Potential Investors to whom the invitation to take part in the negotiations will be extended, to cancel the negotiations without disclosing the reasons and to extend the period for submission of replies to the public invitation to negotiations.

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COMMODITIES & AGRICULTURE

EXPORTS INDICES FALL IN RESPONSE TO REDUCTION IN CONTRACT PRICES OF COAL AND IRON ORE

Australian dollar shrugs off commodity price cuts

By Stephen Wynd in Sydney

The Australian dollar remains unperturbed by the recent reduction in the contract prices of coal and iron ore and the accompanying fall in Australian commodity price indices.

This is because lower coal and iron ore prices had already been discounted by currency traders, and most traders follow the CRB index of commodity prices rather than Australian indices.

The Commonwealth Bank's commodity price index expressed in US dollars fell by 3.4 per cent and the Colonial Bank's index of Australian commodity prices fell by 5.4 per cent in US dollar terms and by 6.5 per cent in Australian dollar terms.

The price cuts of about 18 per cent for coal and 11 per cent for iron ore apply to Australian exports to Japan over the Japanese fiscal year beginning April 1 1999.

Coal is Australia's largest commodity export, forecast by the Australian Bureau of Agricultural and Resource Economics (ABARE) to generate A\$8.05bn (US\$8.1bn) in export income in 1999-2000, and iron ore is its fourth largest, after gold and aluminium.

Iron ore is forecast by ABARE to generate A\$2.74bn in export income in 1999-2000.

Because of the prominence of these exports and the significant fall in their prices, they have impacted heavily on Australian commodity price indices.

There are a number of such indices - the Reserve Bank commodity price index, Dresdner commodity price index, Commonwealth Bank commodity price index and the Colonial State index.

But some economists suggest there are signs that the coal and iron ore markets may be bottoming out.

"It is too early to suggest a turnaround in commodity markets because of supply overhangs," said Rob Henderson, chief economist with Dresdner Kleinwort Benson, Sydney.

"However, the new story for 1999 is that forecasts of growth are now being revised up, whereas, for 1998, revisions were consistently lower."

"Asia led the downturn in commodity markets when the region went into recession but Consensus Economics forecasts now suggest a turning point for Asia during 1999," said Mr Henderson.

And a pick-up in Asian economic activity would boost the commodity-sensitive Australian dollar.

Despite these early indications of a possible trend change in Australian commodity prices, however, the Australian dollar remains in a 60-65 US cent trading range as most currency traders still focus on the CRB commodity price index rather than Australian indices.

But a number of Australian economists are critical of this currency market fascination with the CRB index.

The CRB index is just a simple average of 17 US commodity futures markets, many irrelevant to Australia, and does not include critical Australian exports such as coal or iron ore or wool.

NALCO recovers majority of output

By Kunal Bose in Birmingham

National Aluminium Company's 218,000 tonne capacity smelter, which started collapsing in April 1998, is almost back to normal production.

The management says poor plant maintenance and staff negligence were as much responsible for the smelter failure as last year's unusually hot summer.

"We have been able to put 405 of the 480 pots in the smelter in the production stream. In normal times NALCO smelts the metal in 230 pots. It will take us another three months to come to that stage," said SN Johri, chairman.

As the smelter was partly operational during 1998-99 NALCO, which owns India's largest aluminium complex, lost over 54,000 tonnes of metal production.

In spite of this, the company exported 40,000 tonnes of aluminium against 55,475 tonnes in the previous year. Mr Johri said NALCO would lift aluminium production to 200,000 tonnes in 1999-2000, up from the record 200,000 tonnes in 1998-99.

As the company is to expand its alumina refinery from 800,000 tonnes to 1,575m tonnes as well as increase bauxite mining capacity to 4.8m tonnes by early next year, it will sign long-term contracts with a number of "stand-alone smelters" abroad for supply of alumina.

The company's Rs7.27bn (\$875m) expansion programme includes raising smelter capacity to 346,000 tonnes. "Our objective is to export 33 per cent of metal production following smelter expansion. Since NALCO is one of the lowest cost producers of alumina and aluminium, we are making profits even at today's low prices," said Mr Johri.

India expecting a record crop

By Mark Nicholson in New Delhi

output of 15.2m tonnes, up 16 per cent.

Output of wheat is expected to reach 70.6m tonnes, a 7 per cent rise on a year earlier and also a record.

Likewise, sugar cane production of an estimated 282.7m tonnes, and total oil-seed output of 35.3m tonnes could also set fresh highs.

Though the rise in food-grain production, which provides India's food security in staples, is above 4 per cent this year, independent analysts say this reflects a rebound from last year's poor harvest, which was 3.5 per cent lower than the previous year.

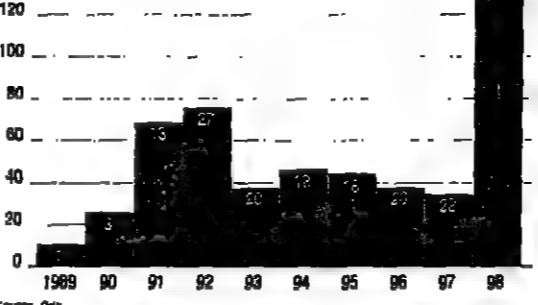
Overall, according to analysts by Investment Research and Information Services (IRIS), an independent economic think-tank, growth rates in output of food staples over the past few years, and into the future, are failing to keep pace with population growth.

IRIS estimates that per capita availability of food grains slipped in 1998 to its lowest level in recent years, of 200.7kg per person, lower than the 208.4kg per person in 1991, when India embarked on sweeping economic reforms.

Commodity funds

New funds in March (Vm)

Figure at top bar is total number of funds



realise that achieving returns demands risking capital, according to Mr Nakawaki.

Orix, however, can boast returns as high as 36 per cent since 1994. Furthermore, commodity funds still guarantee a minimum return - unlike their rival investment trusts, which have no such guarantee.

"Investment trusts may not be appealing to some Japanese investors who have been used to protection of principal and fixed returns," said Hirokazu Morimoto, manager in the capital markets division of Bank of Tokyo-Mitsubishi, which has 10 per cent of the market, or Y800m of funds.

Another factor attracting investors is that Japanese trust banks have been allowed recently to handle commodity funds for the first time. This privilege used to be restricted to overseas banks based in tax havens, which are often viewed with suspicion by Japanese investors.

Trust banks, by contrast, are household names, says Mr Nakawaki. Orrix is now using Yamachii Trust to sell

enjoyed popularity after last year's deregulation, he points off.

Last clear is whether the surge can last. In coming months, further deregulation will affect the sector, allowing the commodity funds to invest less than 50 per cent of the capital in commodities. Though this might make the funds more attractive in theory, it could rob them of their key distinction from investment trusts: guaranteed returns.

There are already signs the banks may be trying to focus more on investment trusts than commodity funds, says Mr Nakawaki.

Another official commented: "In the US, the investment trusts are bigger than the commodity funds. Japan will probably follow that pattern."

Another factor attracting investors is that Japanese trust banks have been allowed recently to handle commodity funds for the first time. This privilege used to be restricted to overseas banks based in tax havens, which are often viewed with suspicion by Japanese investors.

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AUSTRIA (Apr 1) € = 13.78000 Sch										BELGIUM (Apr 1) € = 13.78000 Bel										CANADA									
Denmark (Apr 1) 1.00 = 10.00000 Kr										Finland (Mar 31) € = 5.94575 Mkr										COSTA RICA									
France (Apr 1) € = 13.53557 Fr										Germany (Apr 1) € = 1.55553 Dm										CUBA									
Greece (Apr 1) Dr = 1.00000 Dr										Hungary (Apr 1) Ft = 1.00000 Ft										DOMINICAN REPUBLIC									
Iceland (Apr 1) ISK = 100.00000 ISK										Ireland (Apr 1) € = 1.20000 Ir										ECUADOR									
Italy (Apr 1) L = 19.827000 Lire										Iceland (Apr 1) ISK = 100.00000 ISK										EGYPT									
Latvia (Apr 1) Ls = 1.00000 Ls										Lithuania (Apr 1) Lt = 1.00000 Lt										GUATEMALA									
Luxembourg (Apr 1) € = 1.00000 L										Malta (Apr 1) M = 1.00000 M										HONDURAS									
Netherlands (Apr 1) Guilder = 1.00000 G										Norway (Apr 1) Kr = 1.00000 Kr										JAMAICA									
Portugal (Apr 1) Esc = 1.00000 Esc										Poland (Apr 1) Zl = 1.00000 Zl										PAKISTAN									
Spain (Apr 1) Pt = 1.00000 Pt										Sri Lanka (Apr 1) Rs = 1.00000 Rs										PALESTINE									
Sweden (Apr 1) Kr = 1.00000 Kr										Switzerland (Apr 1) Fr = 1.00000 Fr										PALESTINE									
United Kingdom (Apr 1) £ = 1.00000 £										United States (Apr 1) \$ = 1.00000 \$										PALESTINE									
United States (Apr 1) \$ = 1.00000 \$										United States (Apr 1) \$ = 1.00000 \$										PALESTINE									
EUROPE (NON-EMU) Prices in €										EUROPE (NON-EMU) Prices in €										AMERICAS									
Austria (Apr 1) 1.00 = 1.00000 At										Belgium (Apr 1) 1.00 = 1.00000 Be										AMERICA									
Denmark (Apr 1) 1.00 = 1.00000 Dk										Finland (Mar 31) € = 5.94575 Mkr										CANADA									
France (Apr 1) € = 13.53557 Fr										Germany (Apr 1) € = 1.55553 Dm										COSTA RICA									
Greece (Apr 1) Dr = 1.00000 Dr										Hungary (Apr 1) Ft = 1.00000 Ft										DOMINICAN REPUBLIC									
Iceland (Apr 1) ISK = 100.00000 ISK										Ireland (Apr 1) € = 1.20000 Ir										ECUADOR									
Italy (Apr 1) L = 19.827000 Lire										Iceland (Apr 1) ISK = 100.00000 ISK										EGYPT									
Latvia (Apr 1) Ls = 1.00000 Ls										Lithuania (Apr 1) Lt = 1.00000 Lt										GUATEMALA									
Luxembourg (Apr 1) € = 1.00000 L										Malta (Apr 1) M = 1.00000 M										HONDURAS									

GLOBAL EQUITY MARKETS

See Apr 3 Taiwan Weighted Price 7712.70 \$5 Unfilled. + Taiwan, +2 Cents, +2 Unfilled, 3 XETRA-DAX DAX-Index Index, Apr 1 - 4901.81 +36.54 +0.74% Corrections. * Circulated at 15:00 GMT. ** Ending Inputs: 3 Unfilled, plus 0.0000, Financial and Transportation. * The DJ Ind. Index (second day's high and low) are the averages of the highest and lowest price reached during the day by each stock; whereas the third day's high and low represent the highest and lowest values that the stock has reached during the day. ** Source: Intraday are provided directly. All content is subject to copyright protection. © Thomson and DAX rights are reserved by Deutsche Börse AG. All rights reserved. © 2007 Thomson Financial.

THE NASDAQ-AMEX MARKET GROUP

WORLD STOCK MARKETS

Jobless data help Dow hit 10,000 again

AMERICAS

The Dow Jones Industrial Average reached the 10,000 level again in early trading, buoyed by strong technology stocks and data released on Friday, which showed that the US unemployment rate dropped to its lowest level for 29 years in March, writes Andrew Edgedcliffe-Johnson in New York.

Four trading days after the Dow first closed above 10,000, only to slide back below 9,800, it rose 170.28 or 1.7 per cent to 10,022.59. The broader S & P 500 index was also up, adding 1.8 per cent to 23.99 to 1,317.71, while the Nasdaq advanced 2.1 per cent to 53.12 to 2,546.49.

In contrast to recent weeks, there was little merger and acquisition activity to drive stocks. America's added \$1 to 361 when it announced plans to sell some of its cellular telephone properties to GTE, which slipped 1/2 to \$30.4.

Technology stocks were in favour as Yahoo announced plans to offer internet services to hand-held and television-based devices. Yahoo advanced \$24 to \$204.

Among technology shares within the Dow, Hewlett-Packard was up 4.4 per cent after product news, and IBM advanced 2.5 per cent amid interest in internet security-related stocks.

Outside the Dow, Ameri-

can Online rose \$4.2 to \$154.2 - a new high - after news that it had bought an internet calendar company, When, for an undisclosed amount of stock.

Mark was among just five fallers in the Dow, slipping 1/2 to 787.4.

TORONTO tracked Wall Street higher in early trading with strong gains in telecom and banks helping to send the 300 composite index up 45.69 to 6,670.50 at noon.

Overall volumes were dull, but telecoms pushed ahead. Northern Telecom rose C\$1.80 to C\$95.90 and BCE added 50 cents at C\$86. Newbridge Networks gained C\$1.55 to C\$51.05.

Banks too were in demand. Royal Bank of Canada and Toronto-Dominion added 70 cents at C\$72.45 and C\$70.95 respectively. Among industrials, Seagram advanced C\$1.10 to C\$78.90.

Golds were a weak spot. Barrick came off 75 cents at C\$24.80 and Placer Dome 25 cents to C\$16.35.

MEXICO CITY moved steadily higher in early trading with investors taking their cue from the initial gains on Wall Street. The benchmark IPC index was up 11.49 at 5,044.54 from down 16.83 at 5,019.39.

Signs that the ruling coalition government was in crisis sparked a wave of selling by nervous investors amid talk that coalition in-fighting could delay the implementation of the Indian budget.

The shakeout comes in the wake of a strong post-budget rally for Indian equities which until last Thursday were sitting on gains this year of more than 14 per cent. However, the benchmark index has now fallen 220 points in two sessions.

TOKYO was largely unmoved by a marginally more optimistic tankan survey of business confidence, writes Paul Abrahams.

The benchmark Nikkei 225 average closed up 44.6 at 16,334. It gained 2 per cent at

Mergers drag bank shares from brink

But there are doubts the recovery achieved since Russia's crisis can be sustained, says Bertrand Benoit

European bank shares are back from the abyss they fell into last year. The recent mergers and acquisitions frenzy - although not the sole factor - has helped pull them out of their misery. But there are doubts about the sustainability of the momentum.

Bank stocks rose by 10.8 per cent in the first quarter of 1999, outperforming the FTSE Eurotop 300 index by 47 per cent.

Shares have now recovered most of the ground lost when the Russian financial crisis sent prices down almost 40 per cent last summer.

Although the recovery began in October, analysts attribute the more recent pick-up to the flurry of M&A deals during the past three months.

"The benchmark Spanish deal in January was clearly the trigger for a great deal of subsequent activity," says Ben Fennell, European strategist at Morgan Stanley.

The performance of banks

involved in M&A transactions bears witness to the upside provided by such deals. Banco Santander of Spain added 13.2 per cent during the quarter while its partner Banco Central Hispano rose 14.1 per cent. France's Société Générale - which announced a merger with Paribas in January only to become the target of a hostile bid from rival BNP - gained 21.1 per cent BNP rose 10.5 per cent.

M&A activity, however,

does not account for the performance of banks that have remained on the sidelines.

One decisive factor was

surprisingly positive results.

While most analysts expect

the second quarter alone

will see £11.5bn of new sup-

ply. Italy's Unicredit and

Deutsche Bank of Germany

are planning large secondary

offerings, while the privatisa-

tion of Credit Lyonnais in

France and of Monte dei Pas-

chi in Italy, will flush the

market with £5.5bn worth of

new shares.

It will be equally difficult

for the sector to maintain its

earnings momentum, let

alone match the results of

the first half of 1998.

With international cur-

rency turmoil showing signs

of dissipating, investment

banks look to be over the

worst. A bigger question

mark hangs over retail and

wholesale banks.

These business segments

have done well in the low

inflationary environment.

Although low interest

rates have diminished

demand for deposits, forcing

banks to refinance their

loans in the more expensive

inter-bank market, this has

been offset by rising con-

sumer credit. In Italy alone,

profit-taking," says Mr Mor-

ris.

For Mark Hoge, European

banking analyst at Credit

Suisse First Boston, the

crisis is that "we may see

cross-border mergers or

bank-insurance deals, but

those are less likely to create

value than in-market consolid-

ation". Another worry is

that the amount of new

equity coming to the market

could exceed the appetite of

investors.

However, the news flow will

slow down and that may spark

some profit-taking.

It is likely to rise, they

could prompt a fall in con-

sumer credit, a rise in the

cost of funding, and cut-

returns on investment port-

folios.

This, coupled with higher

IT expenditure and risk pro-

visioning ahead of the year

2000, could dent future earn-

ings.

credit demand grew by 14.7

per cent in 1998.

The move by investors

from deposits into mutual

funds also has been a blow

for banks in Germany, Italy

and France, which enjoy a

near monopoly on the distri-

bution of such funds.

Banks-cum-insurance com-

panies such as Fortis in the

Benelux region, have

boosted profits by selling life

assurance, and pension

fund assets.

But the recent pickup in

oil prices has altered the

picture by threatening

higher inflation.

Most analysts now believe

the next rate cut by the

European Central Bank will

be the last one in the eco-

nomic cycle.

If rates begin to rise, they

could prompt a fall in con-

sumer credit, a rise in the

cost of funding, and cut-

returns on investment port-

folios.

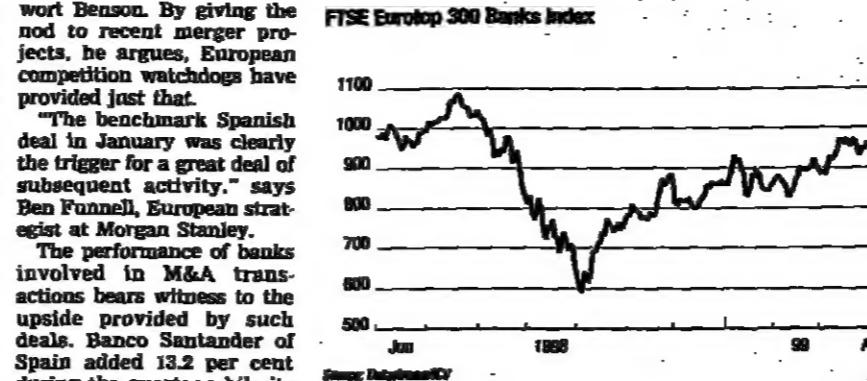
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2000, could dent future earn-

ings.



ted to the emerging market crises have been severely dented

profit and loss accounts for 1998. 40 European banks out of 50 reported in-line or higher-than-expected results.

The recovery for bank stocks has been dramatic that most bankers doubt it will be replicated in the second quarter. The pace of

consolidation, in particular, is unlikely to be sustained.

The news flow will slow down and that may spark

some profit-taking.

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